Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.900	Iran	Rls210	Philippines	Peso40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Es175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£2.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM8.50	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din0.900
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs28	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,569

Monday September 30 1991

D 8523A

SAMUEL BRITTAN
Why unemployment has risen so much
Page 19

World News

Arafat wins mandate for peace talks from PNC

Palestine Liberation Organisation chairman Yassir Arafat emerged from a session of the Palestinian "parliament" better placed to negotiate on Palestinian representation at proposed Middle East peace talks. Page 20

Tbilisi bomb blast
A powerful explosion hit Tbilisi's television centre, which opponents of Georgia's president, Zviad Gamsakhurdia, have turned into an armed stronghold. Several people were injured by flying glass, according to witnesses.

Milosevic connection
Serbian president Slobodan Milosevic has played a key role in co-ordinating federal military operations in Croatia and Bosnia-Hercegovina, a Belgrade newspaper says. Page 3

Angola rebel returns
Angolan rebel leader Jonas Savimbi, head of the Unita movement which has been fighting the country's left-wing government, was greeted in the capital, Luanda, by big crowds when he returned home for the first time for 16 years. Page 6

Army parades in China
China staged its first military parade since 1984. The parade, in the southern city of Guangzhou, was seen as reaffirming army support for communism and as a message for Taiwan and Hong Kong. Hong Kong protest, picture Page 6

Floods strand ½m
More flooding in Bangladesh has stranded at least 500,000 people. Four rivers burst their banks in a region 75 miles north of the capital, Dhaka.

SPD loses in Bremen
Germany's SPD lost its overall majority in the Bremen state parliament, in which the extreme rightwing DVU won an estimated six seats. Page 20

11 die in fight at mine
Eleven black people were killed in renewed inter-ethnic fighting at Impala Platinum Mine in the black South African homeland of Bophuthatswana. VAT strains hopes of political peace, Page 6

Salvador murder verdict
A jury in El Salvador found an army colonel guilty of murdering six Jesuit priests, their housekeeper and her daughter in 1989. Eight other soldiers were acquitted, but a lieutenant was convicted of killing the housekeeper's daughter.

Policeman in custody
An Irish policeman was remanded in custody in Dublin charged with violating the Official Secrets Act. The court heard that Denis Kelly, 28, was suspected of belonging to the Irish Republic Army, which is fighting British rule in Northern Ireland.

UN mission resumes
UN nuclear inspectors went back to work in Iraq after being held for four days during a row over sensitive documents. Page 6

UK opposition move
British opposition Labour party leader Neil Kinnock crushed left-wingers' attempt to halt a purge of Militant, a left wing group. Labour conference, Page 9

Belgian reshuffle
Belgian prime minister Wilfried Martens, facing elections in under four months, reshuffled his cabinet to prevent the fall of his coalition. Page 4

French farmers protest
About 150,000 farmers converged on Paris for a largely peaceful protest against falling incomes and rising imports from east Europe. Page 4

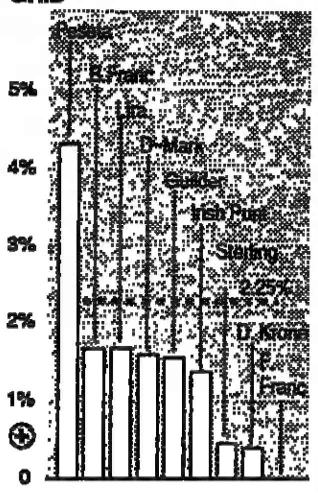
Business Summary

Budget may bring peseta into narrow ERM band

Spain's finance minister, Carlos Solchaga, outlined his conservative budget at the weekend with a promise of a "year of recovery" for the economy. Analysts believe the budget raises the likelihood of the peseta making an early entry into the narrow band of the exchange rate mechanism of the European Monetary System.

The peseta remained at the top of the EMS grid last week although its lead over the weakest currency, the French franc, narrowed. Speculation about a reduction in Spanish interest rates lay behind its decline. Sterling weakened as opinion polls put the Labour party ahead of the Conservatives. The French franc remained at the bottom of the grid. Page 20; Currencies, Page 33; Notebook, Page 21

EMS September 27, 1991
GRID



The chart shows the member currencies of the ERM measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

UK government proposals to introduce photographs on bank credit and cash machine cards are being resisted by banks. Page 20

BERLIN'S majority stakes in the Berliner Bank, the Landesbank Berlin, Wohnungsbau-Kreditanstalt Berlin and the mortgage group Berliner Pfandbrief-Bank may be merged under the umbrella of a new company, Berliner Banken Holding (BBH). Page 21

UK small investors are to be offered around £2.5bn worth of shares in BT, formerly British Telecom, when the government sells part of its remaining 49 per cent stake later this year. Page 21

OLD Mutual, South Africa's largest life insurance company, has called off a planned investment fund designed to tempt international investors back into South African shares. Page 21; VAT strains hopes, Page 6

FERRUZZI Finanziaria (Ferfin), the Italian financial holding concern controlling the Ferruzzi-Montedison group of companies, reported a fall in first-half group consolidated profits after minority interests to L83bn (£38.03m) from L180bn last year. Page 23

ALGERIA devalued the dinar by 22 per cent as part of its continuing efforts to liberalise its tightly state-controlled economy. Page 6

BRAZIL has set a new date for the start of its privatisation programme after its first attempt at a state sell-off collapsed. Usiminas, the country's largest steel mill, will now be sold on October 15. Page 6

Unilateral reductions could still be reversed, Cheney warns

US seeks response on N-arms

By **George Graham** in Washington, **Leyla Boulton** in Moscow, **Ian Davidson** in Paris and **Christopher Parkes** in Bonn

THE US could still reverse some of its unilateral nuclear arms cuts if the Soviet Union does not respond positively, Mr Dick Cheney, the US defence secretary, warned yesterday.

Mr Cheney and other administration officials said they viewed the initial response of Soviet president Mr Mikhail Gorbachev as positive.

"We did not expect anything other than a general sort of endorsement which I think we got yesterday," Mr Cheney said.

Mr Gorbachev said on Saturday he still had questions about the US initiative, but that he and President George Bush had agreed to set up a mechanism to discuss them.

"I think we are witnessing a major event which gives the world great hope," Mr Gorbachev said.

Mr General Brent Scowcroft, Mr Bush's national security adviser, said there were no conditions attached to the president's proposals to eliminate theatre nuclear weapons, put sea-based tactical nuclear weapons into store and reduce the alert status of strategic bombers and missiles. However, Mr Cheney said some of the measures could be reversed.

"We can put the bomber force back on alert. We can redeploy our sea-based tactical nuclear systems," he warned.

Mr Gorbachev had questioned whether the US proposal to negotiate the elimination of multiple warhead missiles included submarine-launched strategic nuclear missiles – in which the US has a significant advantage over the Soviet Union.

Mr Cheney made clear he regarded these missiles as essential to the future US deterrent.

"We have consistently argued and continue to argue that those sea-based systems are different than land-based systems, that a land-based missile with multiple warheads on it is a very ripe target for the other side, and that there would be a temptation in a crisis to launch rather than lose that capability. Sea-based systems are radically different," he said.

Mr Cheney argued that the US proposals targeted the most destabilising elements of both sides' nuclear forces: weapons such as the Soviet SS-18 and the US MX Peacekeeper intercontinental ballistic missiles.

Mr Gorbachev's response only thinly masked Moscow's eagerness to pursue arms reductions. His own spokesman, Mr Andrei Grachev, and Mr Boris Pankin, foreign minister, said the Soviet Union would match the cuts.

Mr Boris Yeltsin, the Russian president, unconditionally endorsed the US initiative and called for matching concessions by Mr Gorbachev.

Mr Bush's proposals include ending the development of a rail-based launch system for the Peacekeeper missile, but the Senate last week voted to eliminate $225m of funding for this deployment from the 1992 Pentagon budget.

US military officials see theatre nuclear weapons as having little purpose now that the Soviet army is withdrawing from eastern Europe, reducing the risk of a surprise attack.

The German chancellor, Mr Helmut Kohl, described Mr Bush's initiative as "a decision on an historic scale".

Mr François Mitterrand, French president, warmly welcomed the US proposals, but made clear that France did not yet consider itself obliged to offer further reductions in its own nuclear arsenal.

Mr Tom King, UK defence secretary, reaffirmed that the British government would continue with its Trident submarine-launched missile system.

Editorial Comment; Hand of friendship, Page 18
French response, Page 2

Waiting in the wings: members of the last crew to be on alert at Carswell Air Force Base in Texas talk in the shadow of their B-52 bomber after being ordered to stand down. The base has been on alert since 1957

Romanians strive to forge coalition

By **Judy Dempsey** in Bucharest

ROMANIA'S president, Mr Ion Iliescu, was last night attempting to fill his country's political vacuum by forming a broad-based coalition government.

His move came after rioting miners forced the resignation last week of Mr Petre Roman, the prime minister.

But Mr Roman, in what appears to be a direct challenge to the miners and Mr Iliescu, yesterday reiterated his determination to remain in office, saying he would not "yield to violence".

Miners from the Jiu Valley coalfields in western Romania last Wednesday commandeered trains to Bucharest, the capital. They toppled the government on Thursday and ransacked the parliament building on Friday in protest at Mr Roman's austerity measures and economic reforms.

Mr Roman yesterday said that elections, scheduled to take place next February after the drawing up of a new constitution, should be brought forward and be held before the end of this year.

His remarks are likely to fuel political uncertainty and instability. They will also anger the miners, who returned home on Saturday morning after receiving assurances from Mr Iliescu that prices would be frozen, wages increased and Mr Roman removed from office.

"No matter what government now takes office, the economic reforms will slow down," Mr Silviu Brucan, a sharp critic of Mr Iliescu and a former member of the ruling National Salvation Front's council, said.

Although life in Bucharest has started to return to normal, with many of the city's inhabitants spending yesterday outdoors enjoying the long, hot day, the centre is still filled with armed police and army patrols.

The smell of teargas, used on Saturday night to disperse small crowds of peaceful demonstrators from the central University Square, still hangs in the air.

The walls of the university and other public buildings are plastered with anti-government posters and slogans, demanding the resignation of Mr Iliescu.

Mr Iliescu, who is trying to regain the political initiative, faces strong opposition from political parties, each of which wants its own candidate as prime minister.

The executive council of the National Salvation Front, which won a landslide victory in last year's elections but which is now rapidly disintegrating, yesterday put forward Mr Teodor Stolojan, as prime minister.

Mr Stolojan, a former finance minister, and later head of the privatisation programme under the Roman government, could be rejected by conservatives because he is too radical.

Other candidates include Mrs Marian Celac, an architect, and one of the leading members of the intellectual and liberal Group of Social Dialogue.

Iliescu weakened, Page 3

Mobutu and opposition in talks to form unity government

By **Julian Ozanne** in Kinshasa

ZAIRE'S president Mobutu Sese Seko and 11 pro-democracy opposition parties were expected last night to complete an agreement to form a transitional government of national unity.

The negotiations followed last week's riots and looting which brought the country to the brink of chaos.

The president yesterday sacked General Manzembe Banga as army chief of staff and replaced him with Gen Mahele Liyeko. Gen Liyeko is charged with restructuring and restoring discipline to the 40,000 strong army, elements of which mutinied last Monday over a pay dispute.

Their action sparked 48 hours of unrest which left at least 100 dead. The capital, Kinshasa, and several provincial towns were devastated.

The new government is expected to be led by Mr Etienne Tshisekedi, the veteran leader of the opposition Union for Democracy and Social Progress. The government will have to be ratified by a reconvened national conference tomorrow.

A crowd of more than 100, chanting that they were being sold out by the opposition leaders, yesterday forced Mr Mobutu's convoy to stop just inside the gates of the palace. Mr Mobutu then held an impromptu audience with the demonstrators on the palace lawns.

Many of the demonstrators claimed to represent the youth and the true opposition anxious about a government being carved up without their input. Several were invited by the president to join the meeting.

Many Zairean political observers believe that with the formation of a new government led by the opposition, Mr Mobutu has no option but to concede the absolute political power he has wielded for 26 years.

"The violence last week has finished Mr Mobutu," said Mr Tshisekedi in an interview yesterday. "Everybody, even the army, wants change. He is still a dangerous monster, but he is a weakened one. He has no choice but to give up power."

But the transitional agreement, which will leave Mr Mobutu as president until elections can be organised, could

Continued on Page 20

Zaire hovers on brink of disintegration, Page 6

EC political union row to dominate Brussels meeting

By **David Gardner** in Brussels

EC FOREIGN ministers will today try to break the gridlock into which the Dutch presidency of the Community has driven talks on political union.

Last week the Netherlands was attacked by seven of its partners when it tabled new revisions to the Treaty of Rome which they believe reduce chances of agreement on a new union treaty at the Maastricht summit on December 9-10.

The Twelve may also decide at the two-day meeting in Brussels on whether to ask the Western European Union, the defence grouping to which nine of them belong, to send a force to Yugoslavia to support EC ceasefire monitors there. WEU defence ministers are due to hold a joint session with foreign ministers alongside today's meeting.

At what may prove a watershed meeting, the Twelve will also attempt to unblock negotiations with the seven-member European Free Trade Association (Efta) for a common free-trade zone from 1993. This was halted by rows over fisheries rights and heavy lorry traffic through the Alps.

Resumption of talks with Czechoslovakia, Hungary and Poland will also be sought on transitional "association agreements", which would give the three greater access to the EC market as well as the prospect of membership. New trade concessions were blocked on September 6 by France's refusal to allow in small additional amounts of east European meat.

The crowded agenda will be overshadowed by the crisis in the political union negotiations.

Mr Ruud Lubbers, the Dutch prime minister, said yesterday he was "prepared to make changes that everyone accepts in foreign policy and defence policy". He acknowledged the new draft treaty was "a little bit too much" for the UK, but warned in a BBC interview that the Dutch presidency was "not prepared... to go back to make a whole new treaty".

Today the Dutch want discussion on the five most contentious issues in the nine-month-old talks. These are:

- Plans to expand EC involvement in a common foreign and security policy (CFSP).
- Co-operation in internal security issues, from terrorism to immigration.
- More powers for the largely advisory European Parliament.
- The extent to which the EC north should finance the development of the southern member states.
- EC involvement in social policy.

The Dutch will come under strong pressure to revert, at least in part, to the draft treaty tabled by Luxembourg, their predecessor in the presidency. Luxembourg had put the controversial CFSP and judi-

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Dutch stand firm, Page 3

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Carlos Salinas de Gortari, Mexico's president, is the product of the best of US education, an asset in dealing with economic problems, but one which has opened him to allegations of not understanding the problems of ordinary Mexicans
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FT SURVEYS THIS WEEK

Management Buy-Outs: It's ours! Now for the really hard work. *(Tomorrow's survey)*

TODAY:
Hiroshima: City of peace seeking to emerge from the shadows.

TUESDAY:
Management Buy-Outs: Small deals are dominating.

WEDNESDAY:
Luxembourg: Success in diversity for the EC's smallest member.

THURSDAY:
World Textiles: Waiting on the outcome of Gatt's Uruguay Round.

FRIDAY:
Finland: Anxiously eyeing Europe's dramatic changes.

BUSH'S NUCLEAR CUTS

Superpowers will retain enough weapons to destroy each other

Surprise over proposals' range

By David White, Defence Correspondent

A SYMBOL of the Cold War was switched off at the weekend when Mr Dick Cheney, US defence secretary, ordered 40 nuclear bombers to be taken off alert.

This was the first step towards implementing the complex set of unilateral cuts, negotiating proposals and measures to deactivate nuclear weapons announced by President George Bush on Friday.

Allies were informed in advance, but the scope of the proposals came as a surprise to most observers – the kind of surprise that a couple a years ago was being sprung more by Mr Mikhail Gorbachev than by the US.

However, even after these proposals and reductions under the US-Soviet Start treaty – signed in July but yet to be ratified – both nations will have more than enough weapons to wipe each other out.

Many – including long-range ballistic missiles hidden in the oceans on submarines, weapons in which the US, the UK and France hold a clear superiority over the Soviets – remain unaffected.

The proposals are therefore a far cry from the US-Soviet summit in Reykjavik five years ago when President Ronald Reagan came close to abandoning most and possibly all nuclear weapons, to the horror of European leaders who feared the removal of US protection.

However, they signal a sharp change in US thinking. After the Start treaty, hopes for a follow-up Start 2 with further bilateral cuts were muted. The Soviet military was not thought ready to accept further reductions and intrusion by treaty inspectors; it would he hard enough to implement and verify Start 1.

The aftermath of the failed Soviet coup altered this outlook in three ways. First, it raised concern in both Washington and Moscow about control of Soviet nuclear weapons; even if the system of central control for releasing weapons was reliable, weapons could still be seized in breakaway republics.

Second, the political upheaval presented the opportunity for more radical disarmament with financial savings for the Soviets.

Third, confirmation of Moscow's effective retirement as a world superpower has speeded up a re-thinking of the whole role of nuclear weapons after the Cold War.

The US and its allies built up a deterrence strategy both against the threat of nuclear attack and conventional attack. This evolved in the 1960s into a strategy of "flexible response" based on a wide gamut of weapons, including US weapons of less-than-strategic range deployed in Europe.

The idea was to make a nuclear response more "credible" to the Soviets, and overcome doubts that the US would be prepared in the first instance to use its strategic weapons and expose its own territory to counter-attack.

With the decline of Soviet strength, the break-up of the Warsaw Pact and Soviet troop withdrawals from eastern Europe, flexible response has already been largely dismantled. Nato now has conventional superiority, and therefore can rely less on resorting to nuclear means.

The scrapping of short-range missiles and nuclear artillery shells was already inevitable. Nato agreed last year that the US should stop plans to replace them with new weapons.

"There is a great deal of emotion about getting rid of something we have been wanting to get rid of for decades," commented Mr David Bolton, director of the Royal United Services Institute in London. Battlefield nuclear weapons are seen as serving no purpose now that there is no close-quarter confrontation on the central front.

The US has been reluctant, however, to try to negotiate a formal arms control treaty, as nuclear shells are small and hard to verify, and also because the Soviets would want to draw other categories of weapon into the talks. A decision to abandon these arms, in exchange for a similar Soviet commitment, was in any case expected to be endorsed by Nato leaders this autumn.

The most significant US concession is the removal of nuclear cruise missiles, along with other tactical nuclear weapons, from ships and submarines. The US had already agreed on a ceiling for these missiles, although the ceiling allowed room for growth.

The weapons are naval versions of the Tomahawk cruise missiles, scrapped under the 1987 treaty on land-based Intermediate Nuclear Forces.

The removal enables the US to maintain conventionally-armed cruise missiles at sea. These were used with spectacular success during the Gulf war and are another area of clear US technical superiority. The US approach bypasses Soviet demands for negotiations on arms control at sea, which Washington has steadfastly resisted.

Both the US and Britain propose to remove anti-submarine nuclear depth bombs, which posed a severe contamination risk if ever used. In addition, improvements in non-nuclear weapons have rendered their value questionable.

The proposal to negotiate the elimination of land-based strategic missiles with multiple warheads is aimed at weapons such as the Soviet SS-18, already due to be sharply cut back under the Start treaty.

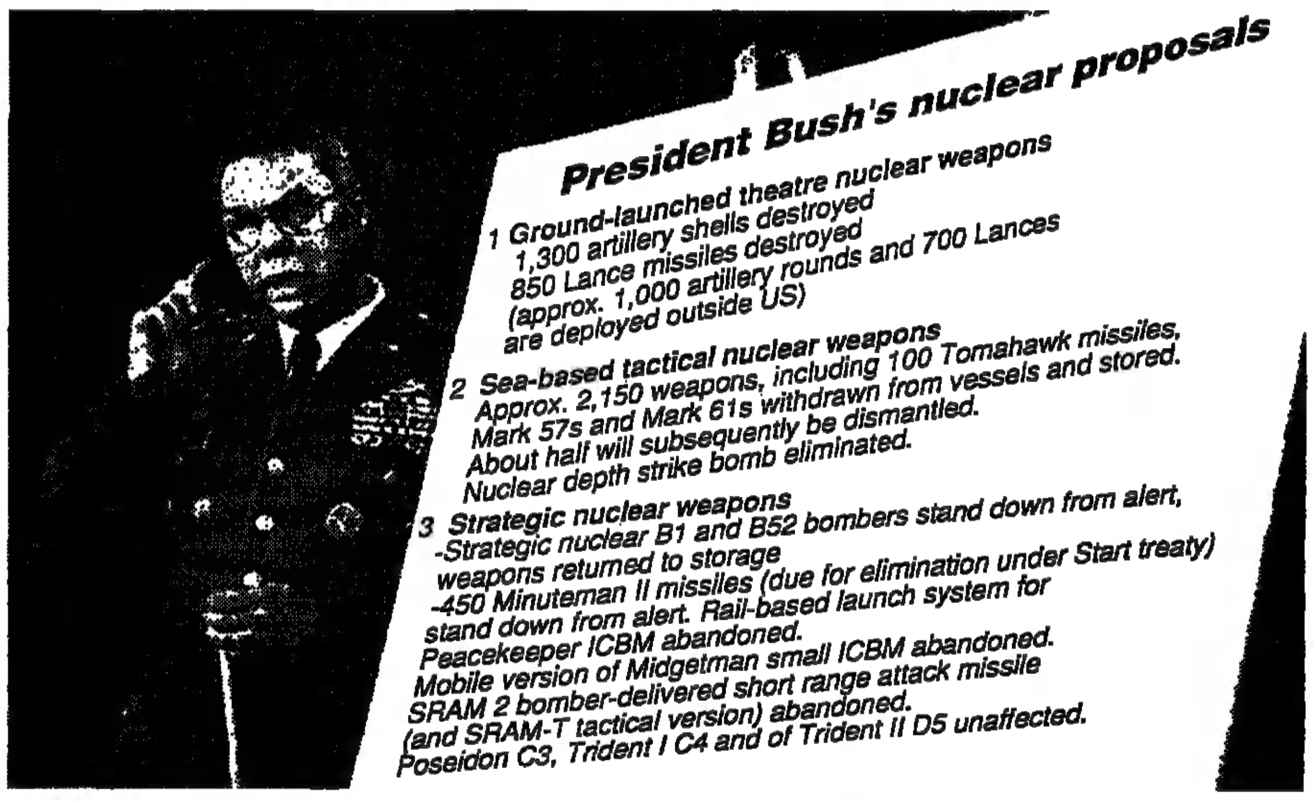
Based in silos, these are considered the most "destabilising" of strategic weapons. They would be at the top of the other side's list of targets. As one US official put it: "One or two of our warheads can take out 10 of his." The temptation would therefore be to launch them as soon as possible.

At the same time the US aims to halt the arms race in less vulnerable mobile missiles on land. It is scrapping its plan, the subject of long controversy, to deploy up to 50 of its latest MX Peacekeeper missiles on railway tracks, and is asking the Soviet Union to abandon its counterpart, the SS-24.

THE STRATEGIC NUCLEAR BALANCE
Warhead totals and limits foreseen under Start treaty

	US	USSR	Start limit
Intercontinental ballistic missiles	2,450	6,700*	
Submarine-launched ballistic missiles	5,400	3,600	
Total ballistic missiles	7,850	10,300	4,900
Warheads on bombers	1,850	800	
Total warheads	9,700	11,100	6,000

*Includes 3,080 warheads on heavy SS-18 missiles due to be cut by 50 per cent under Start
Based on International Institute for Strategic Studies figures



Gen Colin Powell, chairman of the US Joint Chiefs of Staff, with the main points of President Bush's nuclear arms proposals

Questions remain over airborne tactical weapons

PRESIDENT Bush's arms initiative raises crucial questions about tactical nuclear missiles carried by aircraft that both the US and Britain plan to deploy in Europe, writes David White.

The missiles would replace obsolescent bombs. US air-launched missiles would be the last surviving US tactical nuclear system once army shells and short-range missiles are scrapped and nuclear cruise missiles at sea are removed. Ground-launched nuclear missiles of intermediate range have already been eliminated.

Both the US and Britain are committed to keeping their programmes for a tactical air-to-surface missile (TASM). Mr Bush promised to "preserve an effective air-delivered nuclear capability in Europe", saying it was essential to Nato security.

However, the US has simultaneously cancelled a nuclear version of Boeing's Short-Range Attack Missile, a derivate of which – known as SRAM-T – was its main candidate for the TASM mission. It was also a leading contender for the UK's TASM.

The decision, which followed technical setbacks, came amid growing doubts about the willingness of continental European allies to accept TASM deployments.

Both the US and the UK will now have to study alternative weapons. One UK option is an improved version of France's air-launched nuclear missile – Air-Sol Longue Portée (ASLP) – but that would be more expensive than purchasing a US weapon.

Mr Tom King, UK defence secretary, made clear at the weekend that neither the aim of deploying a new missile nor Britain's Trident strategic deterrent programme would change. The only direct impact on British forces would be the long-awaited scrapping of Lance missiles and artillery shells, which are deployed with British and other Nato forces, and the UK's decision to follow the US by removing nuclear depth charges from ships.

However, many analysts question the usefulness of continuing with sub-strategic weapons as a deterrent against a conventional attack, now the fear of Nato being overwhelmed by Soviet conventional forces has receded.

The military argument for TASM is its flexibility. It is seen for instance as a means of deterring Third World countries that might have developed a crude nuclear weapon, without resorting to the threat of nuclear annihilation.

Gen John Galvin, Nato's supreme commander in Europe, said recently the question of TASM "will have to be debated". He added: "If we don't have TASM it will not be because I said we don't need it."

'Incentive' for Soviets

PRESIDENT George Bush's proposals for radical nuclear arms cuts are designed to give the Soviet Union an opportunity to convert its economy away from defence production, US officials said yesterday, writes George Graham in Washington.

Mr Richard Cheney, the US defence secretary, said the US cuts offered the Soviet Union a chance "*to free themselves of* the expensive drag on their economy which they do not need and cannot afford".

Since the failure of the Soviet coup in August, US officials have warned against precipitate action, noting the continuation of massive Soviet spending on military equipment.

Mr Cheney cautioned a month ago that the collapse of the Soviet economy could create famine, labour strife and massive refugee flows.

He said then that this instability made it imprudent to cut the US defence budget too much.

This weekend, however, he said that he and General Colin Powell, chairman of the US joint chiefs of staff, believed that this same economic collapse would oblige the Soviet Union to slash its own defence spending.

Paris avoids commitment to trim arsenal

FRENCH President François Mitterrand has warmly welcomed the latest US nuclear disarmament proposals, and has announced that the leaders of the four powers with nuclear weapons in Europe – US, France, Britain and the Soviet Union – will soon hold a summit, Ian Davidson reports from Paris.

But the French government has made clear that it does not yet consider itself under an obligation to offer any new reduction in its nuclear arsenal, whether unilateral or multilateral, and that the only purpose of the four-power summit would be to discuss the control and security of nuclear weapons inside the disintegrating Soviet Union.

When Mr Mitterrand first put forward his proposal for a four-power nuclear summit last month, it was greeted coolly by the US, and criticised by some in Germany as yet another attempt by France to seek a privileged role, by virtue of its nuclear status.

Mr Mitterrand greeted the plan put forward by US President George Bush as "a real turning point", and said France would be ready to join the nuclear disarmament process the day the two superpowers had substantially reduced their arsenals.

INTERNATIONAL NEWS

Creating stable institutions may be impossible

Rioting leaves Iliescu severely weakened

By Judy Dempsey in Bucharest

MR Ion Iliescu, the Romanian president, yesterday continued negotiations with the country's main political parties in an attempt to form a broad-based coalition government.

But the credibility of the president – and of most of the opposition parties – is now so weak, following last week's riots by miners, that it may be impossible to create stable democratic institutions in the near future. In addition, the prospects for introducing economic reforms appear remote.

Mr Iliescu's position has been greatly weakened on two fronts. First, by caving into the miners' demands with promises of higher wages, a freeze on prices and an end to austerity measures, he has come down on the side of the conservatives in the ruling National Salvation Front.

Second, because he has gone back on his promise to visit the Jiu Valley mines today, miners' leaders are likely in the near future again to demand his resignation.

"Mr Iliescu is now beholden to the miners, and to those hardline political forces which led them to Bucharest," one Romanian sociologist said yesterday.

Because he is in debt to the miners – although they failed this time to topple him – Mr Iliescu is now desperately seeking a coalition government to bolster his credibility.

The problem is that the opposition itself is too weak and too discredited to press ahead with any significant reforms or maintain stability.

This was clear throughout the weekend when, during the congress of the opposition National Peasants party, (NPP) which won 4 per cent of the vote and 12 seats in last year's elections, delegates invited the miners to the congress and actually applauded them.

"I do not understand this party," said Mr Ion Ratiu, the president of the NPP's parliamentary group, who last year returned to Romania to run for the presidency, after many years in exile. "Do they not see that it was those very miners who, in June 1990, at the invitation of Iliescu, came to Bucharest and ransacked the opposition's political headquarters? This is madness," he said in an interview yesterday.

Mr Ratiu added that his party would not join any coalition government unless that government consisted only of opposition parties and technocrats.

The National Liberal party (NLP) and the Civic Alliance – an umbrella movement consisting of liberal intellectuals and student leaders – also refused to distance themselves from the miners. One NLP member, who saw miners ransack his offices last year, yesterday said: "We wanted to see the end of the Petre Roman government and the fall of Iliescu. So did the miners. Our interests converged."

Two parties to emerge relatively unscathed after the riots are the Democratic Party of Hungarians in Romania, the second-largest party, and the youth wing of the NLP, led by Mr Dinu Patricio.

But when Mr Patricio criticised the miners on the grounds that their violence was undermining the country's fragile democracy, he was immediately accused by the media of being in the pay of the Securitate, the former secret police.

"There are no winners after last week's fresh violence," said a western diplomat. "But the greatest losers are the technocrats, who now believe that no government will have the authority to introduce reforms."

It is hard to see how Mr Iliescu can create a government able to continue with the reforms and at the same time ensure some kind of stability.

Mr Teodor Stolojan, who under Mr Roman was in charge of privatisation, was yesterday asked to form a new government. "Iliescu thinks this will reassure the west," said Mr Alin Teodorescu, a member of the small liberal/intellectual Group of Social Dialogue.

But if Mr Stolojan – who earlier this year criticised Mr Roman for going too slowly with the reforms – attempts to move Romania forward, his own political future may well be short-lived.

Milosevic link with Yugoslav army revealed

Milosevic: working with Serb leaders in Bosnia

MR Slobodan Milosevic, president of Serbia, has played a key role in co-ordinating federal military operations in Bosnia Hercegovina and Croatia, Vreme, an independent Belgrade weekly newspaper, reported yesterday, writes Laura Silber in Belgrade.

The revelation came as six people were reported killed and more than 80 injured after weekend clashes. The International Red Cross was forced to pull out of Croatia after one of its teams was shot at.

Croatian radio said the Croat-controlled town of Nova Gradiska was hit by mortars shells and rockets yesterday.

Bosnian radio reported that Croat forces fought with army units around the barracks in Bjelovar, northern Croatia.

A transcript of a conversation obtained by Vreme shows Mr Milosevic is working with Serb leaders in Bosnia, in a plan codenamed Ram, to carve out a Greater Serbia with the aid of the army.

General Nikola Uzelac, commander of the Banja Luka Corps, yesterday ordered the general mobilisation of the entire fighting population in north-western Bosnia, despite warnings from the Bosnian government that mobilisation would ignite a civil war among the republic's Slav Moslems, Serbs and Croats.

Yesterday's mobilisation fits in neatly with the transcript of the conversation between Mr Milosevic and Mr Radovan Karadzic, head of Bosnia's Serbs. Mr Milosevic guaranteed that Mr Karadzic could rely on Montenegro, a close ally of Serbia, for armed support.

Mr Milosevic is quoted as saying: "Get in touch with Uzelac. He'll tell you everything, but if you have problems get in touch with me... Don't worry, you'll have everything, we are the strongest. While we have the army, they can do nothing to us."

Mr Karadzic replied: "That is fine... What about the bombardments?"

"Today is not a good day for aviation, because there is a session of the European Community," said Mr Milosevic, who has repeatedly denied Serbia is involved in fighting in Croatia. But the transcript shows that Serbia is involved in supporting the uprising by Serb insurgents in Croatia.

The publication follows an announcement by Mr Ante Markovic, Yugoslav prime minister, two weeks ago who said he had a tape recording of talks by the two leaders. It appears that Mr Markovic himself may have leaked the transcript to Vreme.

The army has been hard hit by the Croatian blockade of federal barracks, mass desertions by Serb reservists and heavy casualties. Croatian radio said yesterday the army was detonating ammunition in Split, the second-biggest Croatian port, apparently in preparation for withdrawing from the barracks.

Last week the army withdrew from Vinkovci, a key eastern Croatian town, and several barracks in Croatia's Adriatic ports.

The army's movements suggest it is working to conquer a contiguous tract of land which includes parts of Croatia and Bosnia, to form a Greater Serbia with Montenegro.

Slovak referendum urged

TENS of thousands of Czechoslovaks, anxious not to see their country split, signed a petition at the weekend demanding a referendum to decide the issue of Slovak secession, Reuter reports from Prague.

Organisers said 50,000 people a day signed the petition in Prague's Wenceslas Square from Friday to yesterday, and claimed to have gathered more than 300,000 signatures throughout the Czech republic, the larger of Czechoslovakia's two constituent parts.

Slovaks, in the eastern third of the country, have been demanding greater autonomy or independence since the end of communist rule in 1989.

President Vaclav Havel last week threatened to resign unless the wrangling over Czechoslovakia's future was decided soon and called for a referendum this year, a demand rejected by many leading Slovak politicians.

Plea on Ukrainian war criminals

A LEADING Jewish Nazi-hunter said yesterday he had asked the Ukrainian government to show greater caution in rehabilitating alleged war criminals, Reuter reports from Moscow.

Mr Shimon Samuels, European director of the Simon Wiesenthal Centre, was speaking on the 50th anniversary of the start of the Babi Yar massacre in which 200,000 Jews, Poles, Ukrainians and others were killed just outside Kiev during the Nazi occupation.

He was told in Kiev that 46,000 Ukrainians, condemned by the former communist authorities, had been rehabilitated since an amnesty was approved in April.

Four thousand applications had been rejected on grounds of collaboration with invading Nazi forces, espionage or treason.

Mr Samuels, who met Ukrainian deputy prime minister Sergei Komissarenko and other officials at the weekend, said he was unhappy at the speed of the process.

He was also alarmed at the appearance of memorials, especially in western Ukraine, hailing members of the Galicia Division and other Ukrainians who sided with the Germans against Moscow as independence heroes.

"They have legislated a rehabilitation law," he said. "Why can't they get these statues down equally quickly?"

Soft drinks venture wins approval from Brussels

By Andrew Hill in Brussels

THE European Commission, by approving a German soft drinks joint venture, has indicated that joint ventures which pledge to retain a measure of independence from their parents will be regarded favourably by the Brussels merger control authorities.

Brussels waved through the formation of a joint venture between Apollinaris, a German mineral water group, and the German subsidiary of Cadbury Schweppes, the UK food and soft drink company, even though at first glance it restricted competition between the parent companies themselves and between the parent companies and the new group, Apollinaris & Schweppes.

The Commission decided the joint venture – which will help improve Apollinaris' international distribution and Schweppes' position in Austria and Germany – was anti-competitive.

But both companies gave an undertaking that the joint venture would not discriminate when treating inquiries from EC customers. In other words, customers are still likely to have a choice of products from both parents, and from the joint venture.

Dutch stand firm on works councils

By David Goodhart, recently in Maastricht

THE Dutch government is determined to force a decision before the end of this year on the European Commission's directive on mandatory European works councils for providing information to employees. The UK government is alone in its fight against this.

Mr Bert de Vries, the Dutch employment minister, told a conference on works councils in Maastricht, organised by the European TUC, that the directive – which applies to larger companies operating in more than one EC country – would probably go before the Council of Ministers on December 3, just before the Maastricht summit on political union.

Mr Norman Willis, head of the British TUC and ETU president, also told the conference that, if the British government abused its veto on this "vital aspect of social Europe", it would increase pressure for more EC decisions to be subject to majority voting. An extension of majority voting will be discussed at the Maastricht summit and is opposed by the British, especially in social matters.

Mr Willis also strongly condemned a compromise proposal on the works councils directive floated at the conference by Mrs Martine Aubry, French labour minister. She proposed the directive be stripped down to rights to information and that the establishment of consultative councils be dropped.

This, however, would probably fail to satisfy the objections of the British government and UNICE, the European employers body, which is this week expected to submit its own proposals for non-mandatory consultative procedures.

The French compromise would also cause the German government to vote against the directive, according to Mr Horst Günther, a state secretary in the Bonn Labour Ministry, on the grounds that it would have been watered down too far.

The final draft of the directive, which was passed by the Commission earlier this month, includes a few minor changes which will make it even less palatable to the British and employers.

Previously, companies affected by the requirement to consult through works councils were those with more than 1,000 employees operating in at least two EC countries and with at least 100 employees in one establishment in the "foreign" country. In order to include service companies, such as hotels, the requirement that the 100 employees be gathered in only one establishment has been dropped.

The nature of the information that employers will have to provide has also been made more specific, in particular relating to mergers and closures. Another late amendment hints that the 1,000-employee threshold will be reduced when the procedure is reviewed after five years.

The directive has been inspired by the growth in EC corporate mergers in the past decade and the belief that workers, especially outside the mother country, need similarly international bodies to retain a corporate identity. The directive applies also to non-EC companies operating within the EC.

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INTERNATIONAL NEWS

Flemish party quits Belgian coalition

By Andrew Hill in Brussels

THE government of Mr Wilfried Martens, Belgium's long-serving prime minister, yesterday survived a crisis precipitated by tension between the country's French- and Flemish-speaking communities. But it lost one of its five coalition partners.

The moderate Flemish nationalist grouping, the Volksunie, withdrew from the coalition and its two ministers resigned after failing to agree on a compromise over arms sales to Saudi Arabia.

Volksunie's withdrawal is likely to weaken the government ahead of the country's next general election, due in January. It leaves the Christian Democrat and socialist parties - two from each language group - in power, but deprives the government of the two-thirds parliamentary majority necessary to push through Mr Martens' programme of constitutional reform and devolution to the regional authorities.

The Volksunie and the Flemish Socialist party had wanted to block exports of arms to Gulf states, including Saudi Arabia and the United Arab Emirates. The move was based on pacifist principles but would have struck at the heart of the struggling Belgian arms industry, most of which is in French-speaking Wallonia.

In return, Francophone ministers had threatened to hold up contracts from the state telecommunications company which would have benefited mostly Flemish suppliers.

After an emergency cabinet meeting yesterday, only the Volksunie ministers dissented from a compromise which will temporarily have allowed Flemish and French-speaking ministers to grant arms export licences for companies in their own regions.

Cuba curbs assailed

Mr Manuel Fraga, Spain's leading right-wing politician, said over weekend that US economic sanctions against communist-ruled Cuba were unjustified and might even contravene international trade regulations, Reuter reports.

Former French President Valery Giscard d'Estaing plays an accordian with protesters from the provinces yesterday

FARMERS INVADE PARIS IN PRICE PROTEST

TENS OF thousands of French farmers invaded Paris yesterday in protest against falling prices and further steep price reductions scheduled in planned reforms of the European Community's Common Agricultural Policy, Ian Davidson writes. Unnerved by the farmers' growing anger, the government has multiplied assurances of moral and financial support. On several occasions, government ministers, and even President François Mitterrand himself, have been harassed by local farm demonstrations.

At the end of October the government intends to put forward alternative proposals in Brussels to the plan tabled by the European Commission, which would cut market prices by 30 per cent.

The farmers' protest march in the capital, which follows on a wave of more or less violent local demonstrations, some directed against trucks carrying imported meat, has been seized on by leaders of almost all the opposition parties as a vehicle to launch their own campaign against the government.

Former President Valéry Giscard d'Estaing, leader of the centre-right UDF group, Mr Jacques Chirac, leader of the right-wing Gaullist RPR party, Mr Jean-Marie Le Pen, leader of the extreme right-wing National Front, and Mr André Lajoinie of the Communist party, all took part in the march, from the Place de la Nation to the Place de la Bastille and back. The march was a first for Mr Giscard d'Estaing.

In a joint communique on the eve of the demonstration, the UDF and the Gaullists proclaimed their support for the farmers, and demanded that the French government adopt a "very firm position in the negotiations in GATT [the Uruguay Round] and on the reform of the Common Agricultural Policy".

Tribunal starts Irish beef industry hearings

By Tim Coone in Dublin

PUBLIC hearings in Ireland's Tribunal of Inquiry into the Beef Industry are due to start today, raising the possibility of further embarrassing revelations for the already hard-pressed government of Mr Charles Haughey.

The tribunal is investigating allegations of fraud, malpractice and political favouritism in the beef processing industry. The allegations were originally made in the Irish parliament earlier this year and by a British independent television programme broadcast last May.

They focus on the activities of Goodman International, the privately-run beef processing group which is Europe's biggest meat processor. Goodman has been accused of falsifying stamps, weights and classifications, interfering with documentation and abusing export credit Insurance. The company, headed by Mr Larry Goodman, has denied the accusations.

The inquiry is being chaired by Mr Justice Liam Hamilton, president of the high court, and was set up in June. The tribunal has received scores of written submissions from politicians, government officials, veterinary inspectors and meat workers in the processing plants.

The inquiry could prove damaging for Mr Haughey's government, if it turns out that Department of Agriculture officials failed to take action when the complaints were made. A further claim alleges allegation involves whether political favouritism was given to the Goodman group in the allocation of export credit insurance in 1987, for beef exports to Iraq.

The Goodman group ran into financial difficulties in 1990; it currently owes some I£500m (£458m) to a group of 33 banks.

Italians put off the day of budget reckoning

Haig Simonian reports on a compromise package

ITALY'S 1992 budget, due today, will indicate one of the most serious economic challenges in the country's post-war history.

Last week's annual survey by the Organisation for Economic Co-operation and Development warned that a combination of high inflation, high unemployment and a massive budget deficit was putting Italy increasingly out of line with its main competitors.

Predictions of disaster for the Italian economy are regular: both immediately after 1945 and during the inflationary, terrorism-ridden 1970s, recovery seemed virtually inconceivable. Now, the government truly appears to have its back to the wall, as its room for manoeuvre is more circumscribed. Italy needs large structural economic reforms but lacks the political will.

Financing Italy's vertiginous budget deficit is the crux of the debate – one which came close to bringing down the Christian Democrat-led coalition of Prime Minister Giulio Andreotti.

The latest forecast is for a L145,000bn (£66.4bn) deficit this year, against a L132,000bn target. The deficit now accounts for more than 10.5 per cent of gross domestic product. On paper, today's budget proposals should allow the government to claim that the primary deficit – the deficit net of interest payments – no longer exists, a substantial achievement.

But that will only come about thanks to one of a regular sequence of tax amnesties, this year promising to be bigger than ever. The government is also relying on advance payment of some property taxes due next year. These two measures may help reduce this year's deficit, but it means the 1992 shortfall, deprived of expected tax receipts, will be a massive L190,000bn unless similar action is taken again.

The EC has urged the government to purge public spending, crack down on tax evasion, reduce subsidies and embark on a substantial privatisation programme. However, elections due within eight months mean that none of these courses is likely to be pursued vigorously.

Agreement among the four partners of the Christian Democrat-led coalition appeared to be a delicate balance between modest curbs on public spending and new revenue raising measures, Robert Graham writes from Rome. The main aim has been to hold the public sector deficit down to L127,000bn (£58bn) by finding L55,000bn.

The compromise has avoided any serious attempt to introduce structural reforms to tackle Italy's huge public sector deficit. But this has been the price for maintaining the seventh government of Mr Giulio Andreotti and avoid early elections.

The main cuts are expected to come from pruning national health service expenditure and increased prescription charges. Mr Andreotti has been unwilling to force the controversial issue of raising the pensionable age.

Public sector wages, which have been rising at double those of the private sector in the past two years, are expected to be held down to 4.5 per cent next year.

Three main deficit-cutting measures are still pending:

- Pension reform. Talks on cutting the spiralling cost of pensions have been mired in party-political bickering, although a compromise may now have been reached to raise the pensionable age to 62 for men and 60 for women (from 60 and 55 respectively).
- Wage talks. Discussions between the government, unions and employers on reducing wage costs and reforming the scala mobile pay system, which partly links pay to inflation, have just restarted after the summer break, but the positions look as far apart as ever.
- Privatisation. Only two big sell-offs are in the works. But much of the proceeds from both the sale of Crediop, the long-term credit institution, and the Istituto Mobiliare Italiano financial services group are likely to be used to shore up other state industries. Part of the receipts from selling IMI are already earmarked for recapitalising Banca Nazionale del Lavoro, the Treasury-owned bank.

The need to cut the deficit has intensified now that the Italian economy is moving towards recession. But the government's hands are tied because it must keep interest rates high in relation to its main rivals – Germany and France – to attract savers to invest in its bonds. Yet high interest rates have exacerbated the current downturn. Growth fell to 2 per cent last year, the lowest since 1983. In the first quarter of this year, the 0.7 per cent increase in GDP over the same period last year was the lowest in a decade.

A string of poor interim company results from the corporate sector last week shows recession is beginning to bite. The car maker Fiat announced sharply lower profits and 50,000 temporary lay-offs. Total unemployment, which at just under 11 per cent is about twice the OECD average, looks set to climb.

Inflation remains stubbornly lodged at 6 to 7 per cent – well ahead of the government's upwardly revised 5.8 per cent target for the end of this year and its 4.5 per cent goal for the end of 1992. Unit labour costs are increasing at about 11 per cent a year, raising industry's concern about declining competitiveness.

Before the creation of the European Monetary System in 1979, the way to address declining competitiveness would have been to let the lira slide. By regular devaluations, Italy kept pace with the rest of Europe, despite relatively high inflation and wage costs. But the EMS imposed new disciplines. Since January 1987, the crucial lira-D-Mark exchange rate has been stable.

A surprise upturn in growth may yet postpone the crunch. The OECD has forecast an optimistic 2.5 to 3 per cent growth rate next year, though many economists think Italy will do well to achieve 2 per cent. But only an adequate political response will help Italy overcome its profound structural economic imbalances. So far, there is little sign of it.

CONTRACTS & TENDERS

LEGAL NOTICES

FRANK TYLEDESLEY LIMITED

Registered number : 575459
Nature of business
Property development
Trade classification : 23
Date of appointment of joint administrative receivers
18 September 1991
Name of person appointing the joint administrative receivers : National Westminster Bank
JOHN FREDERICK POWELL and IAN NAPIER CARRUTHERS
Joint Administrative Receivers
(Office holder nos 349 and 814)
Cork Gully
43 Temple Row
Birmingham
B2 5JT

ROMAN HOLDINGS PLC

Registered number: 1884639
Nature of business: Property development
Trade Classification: 23
Date of appointment of joint administrative receivers
18 September 1991
Name of person appointing the joint administrative receivers
National Westminster Bank PLC
IAN NAPIER CARRUTHERS and JOHN FREDERICK POWELL
Joint Administrative Receivers
(Office holder nos 814 and 349)
Cork Gully
43 Temple Row
Birmingham
B2 5JT

ALCANTARA TRAVEL LIMITED

IN ADMINISTRATION

Registered number: 1414965
Nature of business: Travel Agency
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UN team resumes arms inspection in Baghdad

A UN nuclear weapon inspection team which spent four days confined to a Baghdad car park resumed its mission yesterday without incident, Reuter reports from Baghdad.

Team leader Mr David Kay said the group spent the day inspecting four locations in the Baghdad area. He declined to identify the sites, saying they would be inspected further.

"It was another day of inspection, it went well. No problems," he added. "We had full access to all sites, no problems in copying documentation at all."

It was the first day that inspections by the 44-member group, in Baghdad for a week, had not run into problems.

On Monday, the team was held for five hours before documents it had seized were forcibly removed. A similar confrontation began on Tuesday and led to the group being penned in a car park refusing to yield the papers.

The standoff ended early on Saturday with the group permitted to keep further records it had taken provided a joint inventory was made with Iraqi officials. That inventory was completed on Saturday evening and Mr Kay said all those documents had now been flown out of the country. He said the documents gave valuable evidence of Iraq's procurement overseas of nuclear materials and knowledge and an extensive view into "the actual weapons development side of the programme".

They consisted of 5,000 pages of records, 19 hours of videotapes and 3,000 photographs.

Mr Kay was asked about a US news report that Iraq had been only two months away from making a nuclear bomb.

He said such a time-frame would surprise him. "The timeframes that seem reasonable, we have said, was that the uranium enrichment process was about 18 to 24 months away from full-scale, large-scale production of the essential ingredient for one bomb design."

A biological weapon investigation team also in Iraq said it had also spent a routine day of inspections with full co-operation from the Iraqis.

Team leader Mr David Huxsoll said no evidence of biological weapon manufacture had been found.

Mr Kay's team is expected to leave for Bahrain, field headquarters of all the weapon inspection missions to Iraq, on Wednesday or Thursday.

Zaire hovers on brink of disintegration

The national unity government must restore credibility, writes Julian Ozanne

ZAIRE, Africa's second largest country, is poised on the precipice of disintegration.

Last week there were riots in Kinshasha, the capital, in Kisangani and the southern towns of Lubumbashi and Kolwezi in Shaba province (formerly Katanga). French and Belgian paratroopers were flown in to evacuate westerners and restore order, there was secret diplomatic power play by Washington and Paris and European women were raped by mutinous Zairean soldiers. The events are all reminiscent of a slightly distant past in the former Belgian Congo which many people hoped were buried in the history books.

Many of the players, places and events are the same as during the two previous periods of national upheaval in Zaire – the uprisings and foreign intervention in Katanga, Kivu and Stanleyville (now Kisangani) between 1960-65 and the 1977-79 Shaba rebellion, resolved after decisive military intervention by French paratroopers.

But this time the economy has been plunged into almost irretrievable turmoil. The collapse of the country is a real threat and President Mobutu Sese Seko, one of Africa's longest serving dictators, is no longer seen in the west as a force for unity and stability.

Instead France, the US, Belgium and Germany are openly looking for a peaceful exit for the former army sergeant-major turned marshal, president and billionaire which will preserve the unity of a country rich with mineral resources and vital to the stability of the entire Central African region.

The agreement in principle over the weekend between Mr Mobutu and 11 pro-democracy opposition parties to form an emergency government of national unity marks a crucial first step towards curtailing the president's dictatorial and capricious powers and preparing an end-game to his 26-year rule.

The government, to be lead by Mr Etienne Tshisekedi, the veteran leader of the opposition Union for Democracy and Social Progress, is a vital prerequisite to winning the credibility necessary to restore the confidence of international donors and businessmen.

However, any political transition depends on the president accepting the necessity of sharing power immediately and preparing to stand down after a short transition period. Mr Mobutu could still act as a spoiler and preside over the destruction of the country he has twice saved from the precipice of self-destruction.

Deserted by his traditional western allies, his capital devastated after six days of looting, his army in open revolt, foreign investors ruined and on the run, the important copper and cobalt mines closed, and people calling for his head it seems almost inconceivable that Mr Mobutu is still clinging to power.

Few believe he can survive much longer, certainly not with the power he has exercised since, as chief-of-staff of the army, he declared the Second Republic in November 1965 after five years of post-colonial crisis.

A key to his continued exercise of power is that many foreigners and Zaireans believe in the myth he has so successfully cultivated that the country will disintegrate into secessionist tribal-based republics if he goes.

Any government coming to power in the next few days will need wide-ranging powers, previously held exclusively by the president, to restore law and order, discipline the mutinous factions in the army, make emergency plans to resuscitate the wrecked transport and food distribution system and embark on a crash programme of economic reform.

While significant foreign aid might flow to a broad-based government committed to the rule of law, democracy and economic liberalisation, it will be nearly impossible to fulfil the high expectations of the impoverished urban population, desperate with the tumbling purchasing power of their income, at a time when austerity measures are called for.

"Zaireans have seen the destruction of the country," said Mr Tshisekedi.

"It is impossible to satisfy expectations immediately but the people realise that after 26 years of bad management it is necessary to go little by little and we will govern transparently with the people."

VAT strains S Africa's hopes of political peace

ANC sees the tax debate as a way of pushing its agenda, writes Philip Gawith

SOUTH Africa today enters a new taxation era, with Value Added Tax (VAT) to be levied at 10 per cent, replacing General Sales Tax (GST), which was levied at 13 per cent, as a consumption tax.

The change comes amid countrywide protests against the tax and the prospect of sustained mass action from those opposed to its implementation.

Despite the intervention over the weekend of President F W de Klerk and Mr Nelson Mandela, leader of the ANC, the government and those opposing VAT have been unable to agree compromise terms for implementing the tax. The government, however, announced last-minute concessions by zero-rating various basic foodstuffs for a period of six months.

The episode has cast a cloud over the political outlook, which had been hopeful only two weeks ago when the government, ANC and Inkatha signed a ground-breaking peace accord. It is unlikely to derail the negotiation process, but it will clearly sour relations between the government and the ANC until greater consensus is achieved about the terms of VAT's implementation.

The irony of the episode, with last-minute changes causing widespread administrative chaos, is that nobody disputes VAT's merits. The argument is about the way in which it has been implemented. Mr Cyril Ramaphosa, secretary general of the ANC, conceded last week: "The whole VAT matter is not about VAT any more but is about government trying to forcefully ram its will down the throat of the people."

Although a whole range of organisations – small business, trade unions, medical, welfare, consumer, religious and political groups – have joined forces against the government under the umbrella of the Co-ordinating Committee on VAT (CCVT), the muscle behind the opposition clearly comes from the ANC-aligned trade union movement Cosatu and the ANC itself. Cosatu's leadership is planning a two-day general strike in November in protest against the move, as well as a boycott on all tax payments.

Yesterday the ANC described the tax as "a major part of the government's restructuring of the economy. The intention is to entrench white privilege and the control big business has over economic life." It added that it would not accept that the government "can dictate the economic restructuring of this country and their attitude leaves the ANC in doubt concerning their real commitment to the process of bona fide negotiations ahead of us."

The point about these judgments is not so much whether they are correct – they do an injustice to the government, which has been consulting on the details of the tax for over a year – but what they tell about the ANC.

First, the argument over VAT is clearly an attempt by the ANC to move forward the issue of an interim government; as far as the ANC is concerned, any new government initiative is liable to be vetoed by the ANC if it is not consulted beforehand.

The peace accord is de facto recognition that the government is no longer running the security forces alone. The ANC wishes to extend this principle to the running of the economy.

Whether the ANC/Cosatu is ready, willing or able to take joint responsibility for managing the economy is a moot point. Mr Barend du Plessis, minister of finance, thinks not. He accused the CCVT last week of "a disturbing lack of grasp of both domestic and international fiscal and financial matters".

Certainly, VAT's opponents seem not to have weighed the fiscal implications of diluting the tax base. Already government spending is seriously overstretched, with the deficit before borrowing and debt repayment in the first five months of fiscal 1992-2 equivalent to 85.6 per cent of the total projected deficit for the fiscal year as a whole.

Second, the VAT debate has shown that the ANC is ill at ease with the institutions and practices of market economies. It regards big business with suspicion and fear; nor is it keen on the International Monetary Fund.

That Mr Mandela has chosen three times within the last month to reiterate the ANC view that it would nationalise banks and mines if it came to power seems to confirm that the ANC is clinging to its old views of economics.

Although the government has made various concessions late in the day, setting aside the relatively small sum of R220m (£44.8m) for poverty relief – the South African Chamber of Business recommended R1.2bn – has made it much more vulnerable than it needed to be on other aspects of the tax.

A thousand protesters holding pictures of Chinese dissidents Chen Ziming (left) and Wang Dan rallied in Hong Kong yesterday demanding their release from jail.

Brazil sets new date for privatisation

THE Brazilian government has set a new date for the start of its privatisation programme after its first attempt at a state sell-off collapsed on Tuesday, Christina Lamb reports from Rio de Janeiro. The sale of Usiminas, the country's largest steel mill, was suspended at the last minute amid scenes of chaos, with lawsuits in three courts debating its legality and union members throwing eggs at potential investors attempting to enter the Rio stock exchange to bid.

The auction is now planned for October 15 but much uncertainty remains, causing falls of 10 per cent in the Brazilian stock market and in the price of Brazilian debt on the secondary market.

Mr Eduardo Modiano, who is heading the beleaguered privatisation programme, said: "The unfortunate events of this week have strengthened the programme, as public opinion is very much on our side." He added that he hoped investors would not pull out.

Algeria devalues dinar

THE Algerian dinar was devalued by 22 per cent yesterday, part of the country's continuing efforts to liberalise its tightly state-controlled economy, Francis Ghilès writes from Algiers. The dinar had already lost over half of its value since the autumn of 1989.

The Banque d'Algérie, the central bank, has so far succeeded in maintaining a tight monetary policy which has prevented inflation, officially estimated at an annual rate of 20 per cent, from getting out of control.

However, the cost of the latest devaluation will put further pressure on already hard-pressed businesses, which will see the cost of imports rising sharply. Pressure will also increase on the government, led since last June by Mr Sid Ahmed Ghozali, to devise an effective "safety net" policy aimed at preserving a minimum level of purchasing power for poorer Algerians.

Although the International Monetary Fund, with which Algeria signed a second agreement last May, has said it wishes to see subsidies on staple foodstuffs cut further, it has also said devising a safety net was a vital precondition to such a policy.

- The state of emergency imposed after the riots last June were lifted yesterday. Two days earlier the provisional leader of the Islamic Salvation Front (FIS), Mr Abdelkader Hachani, was arrested. He will join, in prison, the two main FIS leaders, Mr Abassi Madani and Mr Ali Benhadj, who have been awaiting trial, along with over 800 of their supporters, since last June.

Savimbi back in Luanda

MR Jonas Savimbi, leader of Angola's former rebel Unita movement, returned to Luanda yesterday for the first time since the end of a 16-year civil war, Reuter reports from Luanda.

Thousands of followers gave the charismatic guerrilla chief a tumultuous welcome as he arrived in the capital three months after a peace settlement.

Mr Savimbi reached Luanda airport on Sunday morning after a tour of three southern cities – Huambo, Lubango and Lobito – where hundreds of thousands also turned out to greet him. Thousands of supporters waved, danced and sang under the eyes of heavily armed security officers and police.

Waving back and smiling, Mr Savimbi, in his traditional green military attire, stepped down from a helicopter and was whisked off to Independence Square gardens to address a mass rally later in the day.

Thousands lined the road to the rally which Unita officials expect to be attended by up to 1m supporters.

To blaring music, Unita supporters chanted "Savimbi is Our Father".

Mr Savimbi's US-backed National Union for the Total Independence of Angola (Unita) signed a ceasefire with the Luanda government on May 31 to end a bush war that broke out soon after the country gained independence from Portugal in 1975.

Unita is the main rival of the ruling Popular Movement for the Liberation of Angola (MPLA) in the first multi-party elections in 16 years scheduled for between September and November 1992.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1984	95.3	98.3	7.4	98.2	98.4
1985	100.0	100.0	7.1	100.0	102.9
1986	105.7	101.0	6.9	98.0	108.1
1987	108.3	105.9	6.1	105.2	110.0
1988	112.2	111.6	5.4	106.3	114.5
1989	114.7	114.5	5.2	99.6	113.4
1990	114.2	115.7	5.4	84.5	109.2
3rd qtr.1990	−1.2	2.2	5.5	83.6	111.8
4th qtr.1990	−2.1	0.3	5.8	72.7	109.2
1st qtr.1991	−3.8	−2.3	6.4	64.5	110.7
2nd qtr.1991	−1.9	−2.8	6.7	63.0	112.8
September 1990	−1.6	2.2	5.6	80.2	111.8
October	−1.2	2.0	5.6	75.4	110.2
November	−1.5	0.2	5.8	70.7	109.5
December	−3.5	−1.3	6.0	71.2	109.2
January 1991	−5.9	−0.8	6.1	66.3	109.5
February	−3.2	−2.6	6.4	64.3	110.0
March	−2.1	−3.6	6.8	63.1	110.7
April	−2.1	−3.0	6.5	62.7	111.0
May	−1.4	−2.7	6.8	62.5	111.8
June	−2.2	−2.5	6.9	63.7	112.8
July		−2.2	6.7	61.1	114.0
August		−2.1			

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1984	96.9	96.4	2.7	100.5	93.9
1985	100.0	100.0	2.6	100.0	96.6
1986	106.6	99.7	2.8	94.3	105.3
1987	113.8	103.1	2.8	108.3	115.3
1988	122.9	112.9	2.5	135.9	122.8
1989	133.0	119.8	2.3	147.0	126.3
1990	142.2	125.3	2.1	149.7	124.1
3rd qtr.1990	7.6	5.9	2.1	146.4	124.9
4th qtr.1990	2.8	6.9	2.1	153.2	124.1
1st qtr.1991	2.6	6.0	2.0	148.0	124.4
2nd qtr.1991	2.4	3.1	2.1	146.5	124.1
September 1990	7.5	5.5	2.2	141.3	124.9
October	2.5	8.0	2.2	157.8	124.3
November	3.0	6.6	2.1	148.2	123.9
December	3.0	6.1	2.1	153.7	124.1
January 1991	3.3	7.7	2.0	153.3	124.1
February	2.7	6.9	2.0	148.5	124.4
March	1.9	3.5	2.1	142.6	124.4
April	2.1	3.8	2.1	152.6	124.2
May	1.9	4.3	2.1	146.5	123.9
June	3.2	1.1	2.1	140.5	124.1
July		2.4	2.2	150.3	124.7
August		0.5			

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1984	99.2	96.0	7.1	83.4	99.9
1985	100.0	100.0	7.2	100.0	104.2
1986	103.6	102.2	6.4	138.4	103.8
1987	107.4	102.5	6.2	149.4	104.9
1988	110.6	105.2	6.2	164.7	111.2
1989	113.7	111.4	5.6	218.9	114.1
1990	122.9	117.2	5.1	260.6	114.7
3rd qtr.1990	13.1	5.6	5.0	264.1	115.7
4th qtr.1990	8.7	5.1	4.7	258.1	114.7
1st qtr.1991	12.0	4.8	4.5	269.7	112.6
2nd qtr.1991	9.6	5.5	4.5	282.1	112.3
September 1990	12.8	6.2	5.0	257.6	115.7
October	8.8	6.2	4.9	254.8	115.2
November	9.8	5.5	4.7	257.3	115.2
December	7.4	3.8	4.8	262.2	114.7
January 1991	14.5	5.9	4.5	266.0	113.7
February	10.3	4.0	4.5	267.2	113.4
March	11.3	4.6	4.5	273.8	112.6
April	9.3	6.7	4.5	276.8	112.3
May	7.0	3.0	4.5	281.3	112.2
June	12.7	6.7	4.5	285.4	112.3
July	3.4	8.8	4.6	284.6	112.0
August				286.2	

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1984	99.3	99.3	9.7	99.3	98.2
1985	100.0	100.0	10.2	100.0	101.6
1986	102.4	101.1	10.4	107.4	108.0
1987	104.5	103.1	10.5	118.0	107.4
1988	107.9	107.3	10.0	134.8	112.3
1989	109.6	111.2	9.4	159.3	111.8
1990	110.1	112.5	8.9	163.2	104.9
3rd qtr.1990	−0.5	2.3	8.8	162.6	108.6
4th qtr.1990	0.6	−0.3	8.9	146.9	104.9
1st qtr.1991	−0.5	0.5	9.0	130.3	105.1
2nd qtr.1991	−1.4	0.1	9.3	127.5	106.8
September 1990	−1.1	2.2	8.8	159.7	106.6
October	4.2	1.4	8.9	154.5	105.4
November	−2.8	−0.6	8.9	146.5	105.0
December	0.6	−1.6	8.9	140.0	104.9
January 1991	−0.3	1.3	8.9	134.4	104.7
February	−1.6	1.9	9.0	127.5	104.8
March	0.5	−1.8	9.0	128.3	105.1
April	0.4	0.0	9.1	126.5	105.6
May	−2.0	0.3	9.3	126.9	106.1
June	−2.5	0.2	9.4	129.3	106.8
July	3.0		9.5	132.2	106.6
August					

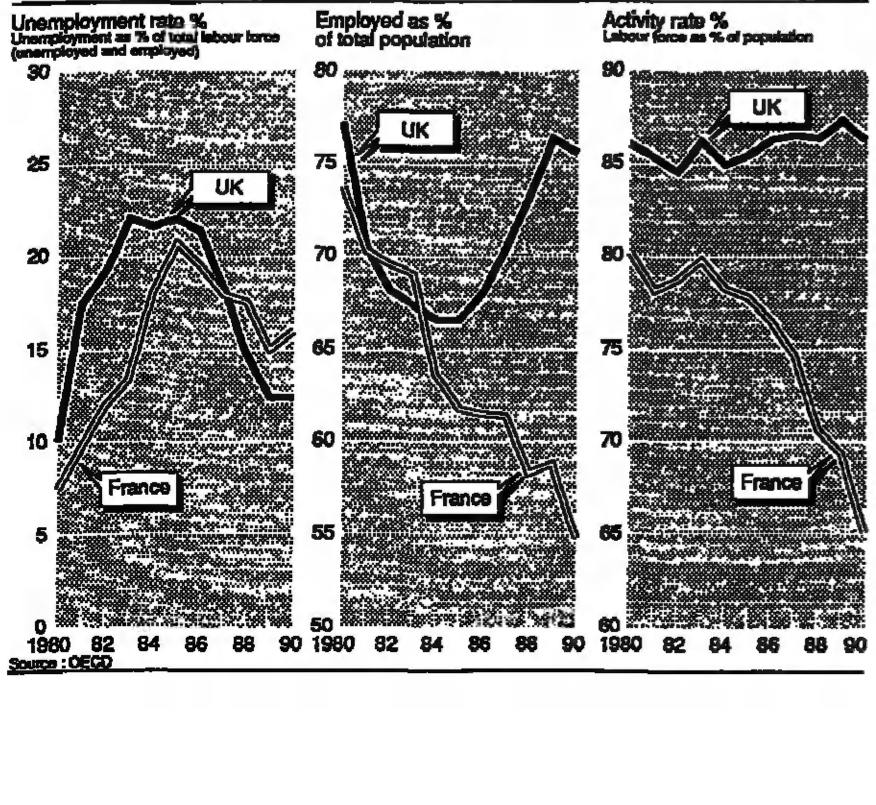
ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1984	95.8	98.5	9.3	101.2
1985	100.0	100.0	9.6	103.7
1986	108.0	103.2	10.4	110.5
1987	113.8	106.8	10.9	112.7
1988	110.2	114.2	10.9	117.6
1989	117.8	116.7	10.9	115.9
1990		117.9	9.8	112.2
3rd qtr.1990		−1.2	9.8	114.5
4th qtr.1990		−4.2	9.8	112.2
1st qtr.1991		−1.8	10.0	113.2
2nd qtr.1991		−2.3	10.0	112.6
September 1990	−4.3*	−1.2	n.a.	114.6
October		−3.0	n.a.	114.3
November		−4.1	n.a.	113.6
December		−5.5	n.a.	112.2
January 1991		0.0	n.a.	112.1
February		−2.5	n.a.	112.2
March		−2.9	n.a.	113.2
April		−4.1	n.a.	113.8
May		−2.8	n.a.	113.7
June		−0.1	n.a.	112.6
July			n.a.	
August			n.a.	

UNITED KINGDOM

Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	
95.6	94.8	11.7	93.7	100.7	1984
100.0	100.0	11.2	100.0	102.4	1985
105.2	102.4	11.2	116.1	105.2	1986
110.7	106.7	10.3	141.2	109.4	1987
117.7	109.5	8.5	144.3	108.3	1988
119.9	109.9	7.1	124.2	106.0	1989
120.4	109.2	6.9	97.9	102.5	1990
0.6	−1.8	6.9	93.9	103.9	3rd qtr.1990
−1.2	−3.4	7.3	78.3	102.5	4th qtr.1990
−0.7	−3.1	8.2	82.9	102.8	1st qtr.1991
−1.9	−5.9	9.2	64.6	103.5	2nd qtr.1991
−0.1	−2.4	6.9	89.8	103.9	1990 September
−0.9	−2.3	7.0	80.9	103.5	October
−1.4	−3.8	7.3	75.1	103.0	November
−1.2	−4.3	7.8	73.0	102.5	December
−1.5	−3.8	7.8	82.3	101.9	1991 January
−2.6	−2.2	8.1	84.1	102.2	February
1.9	−3.4	8.6	82.2	102.8	March
−2.1	−6.6	8.9	71.6	103.4	April
−3.2	−6.0	9.2	63.3	103.5	May
−0.4	−5.2	9.4	58.8	103.5	June
−0.5	−1.8	9.7	59.5	104.1	July
−0.3			62.2		August

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). * = August 1990 figure. Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.



Youth 'non-employment' in Britain and France

GOVERNMENTS are notorious manipulators of economic statistics; and unemployment rates are a favourite target. But comparisons of unemployment rates can be very misleading, even when they are not being distorted by unscrupulous officials. A prime example is the apparent similarity in the pattern of unemployment among the young in the UK and France over the past decade.

Youth unemployment, measured by the *unemployment rate of males aged* between 20 and 24, soared in both France and the UK in the early 1980s. It peaked in 1985 in both countries: at 20.7 per cent in France and 22.1 per cent in the UK. These unemployment rates are calculated by the OECD from labour force surveys and are relatively free from government tinkering.

Comparing youth unemployment rates in the UK and France has been a popular pastime in Britain in recent months. Whether or not France has a worse record of youth unemployment than Britain is central to the debate over the likely impact of the Labour party's pledge to introduce a minimum wage. *Opponents argue that the French minimum* wage has depressed youth employment.

Supporters of the minimum wage have taken heart from the fact that youth unemployment has fallen sharply in both countries since 1985. True, it has fallen further in the UK than France. But 1986-1989 was a period of loose monetary policy and unsustainable growth in Britain. Meanwhile, France was suffering from slow growth as the economy *adjusted to life in the European* exchange rate mechanism.

Yet the middle graph paints a very different story of the relative plight of young males in the two countries. The flip-side of the fall in the rate of youth unemployment in Britain since 1985 has been a rise in youth employment as a percentage of the total population of males in that age group.

In France, by contrast, the employment of young males has plummeted. By 1990 little over half of the French male population aged 20-24 was in employment, down from 74 per cent at the beginning of the decade. Youth unemployment was falling, but so was youth employment.

*The reason for this apparent contradic*tion is that the youth activity rate – the percentage of the population that is in the labour force, whether employed or unemployed – has collapsed in France while it has remained roughly constant in Britain. In 1986 76.2 per cent of French males aged between 20 and 24 were in the labour force. By 1990 that proportion was more than 10 percentage points lower. Over a third of young French males were, therefore, "non-employed" – either unemployed or out of the labour force – compared to a quarter in Britain.

What was the cause of this fall in labour market activity in France? There has not been a significant rush back to higher education by French males; and the French youth activity rate is now much lower than in countries where the number of young people in higher education has traditionally been higher. It was 84 per cent in the US in 1990 and 80 per cent in Germany in 1987.

The rise in youth inactivity in France is instead part of a more general rise in the number of "discouraged workers" in France: people out of employment but who are no longer seeking work. Discouraged workers are still able to register as unemployed and claim benefits and are therefore counted as unemployed by the government. But to be counted as unemployed by the OECD the individual must be both available for and actively seeking work.

The "discouraged worker" effect can therefore be measured by the amount by which the registered unemployment rate for a country exceeds the OECD's calculated unemployment rate. In France, this discrepancy was equal to 2.7 per cent of registered unemployment in 1986. By 1990 it had risen to 11.3 per cent.

One reason for the growth of youth "non-employment" in France has undoubtedly been the rise in the real value of the minimum wage. But this is only part of the story. For the level of vacancies has *also* been rising, as this week's table shows, despite the persistence of high unemployment. The French unemployed do not, it seems, possess the skills that employers want.

Edward Balls

UK NEWS — LABOUR AT BRIGHTON

TRANSPORT

Plan for private funding of Channel link

LABOUR is to extend its commitment to free-market economics significantly by drawing up plans for the private funding of the Channel tunnel rail link – a proposal the Conservatives have abandoned, at least temporarily.

Proposals by Mr John Prescott, shadow transport secretary, for changing Treasury rules to allow British Rail to borrow privately against its own assets have been agreed in principle with Mr John Smith, shadow chancellor of the exchequer.

City consultants and potential investors are advising the party on how a financial package for the rail link might work.

The move, which marks a further ideological shift by Labour away from strict reliance on the state sector for infrastructure investment, might encourage private-sector involvement with other government-backed projects if Labour won the general election.

The modified Treasury rules would mean that British Rail's borrowing from private sources for capital investment no longer counted among revenues when the Public Sector Borrowing Requirement (PSBR) was calculated.

Mr John Prescott, Labour's transport spokesman, will call for private-sector involvement in the rail link between London and the Channel tunnel entrance when he addresses Labour's conference on Wednesday.

Among the schemes he is considering are:

- Sale and leaseback arrangements with banks whereby, for example, rolling stock or land would be sold to banks and leased back.
- Borrowing from banks using the assets along the line as security.

Labour cites, as an example, schemes operated by SNCF, the French state-owned railway company, which raises most of its borrowings on international and domestic bond market.

The party also believes the Dartford river crossing project has shown that the private sector can be attracted by infrastructure projects. There, private contractors built the bridge and will collect tolls to repay its cost before returning the crossing to the state sector.

Mr Prescott sees the plans as a way of getting around the tough strictures of Mr Smith against increased public spending or borrowing under a Labour government.

In an interview with the Financial Times last week, the shadow chancellor said he was "sympathetic" to proposals for allowing nationalised industries to borrow privately. "It is patently foolish that the Treasury in this country doesn't seem to be able to make the distinction between capital and revenue. I'd like to see that distinction better recognised."

The government will announce early next month its preferred route for the Channel tunnel rail link, but the question of funding the estimated £3bn cost remains unresolved.

Last year Mr Cecil Parkinson, then transport secretary, rejected a financial package drawn up by European Rail Link, a consortium comprising BR, Trafalgar House and BICC. At the time, ministers believed alternative private backers were unlikely to be found.

British Rail's investment is at present financed from internally generated revenues and strictly rationed government borrowings. The result has been cash starvation, with several big investment projects put on hold.

Under Labour's proposals, assets along the Channel tunnel route could be "ring-fenced" to form a separate company from BR. The party believes the flow of traffic through the tunnel will provide near-guaranteed income.

Ralph Atkins

PUBLIC OPINION

The need to make a positive impression

THE VOTERS have not made up their minds. The raft of opinion polls accompanying the start of the Labour party conference in Brighton yesterday conveyed a simple message. The timing of the election is clear – 1991 is now the remotest of possibilities – but the outcome is hazy.

When averaged out, the recent polls put Labour and the Tories neck and neck, with both struggling to command the support of 40 per cent of the electorate. The Liberal Democrats are hovering around 15 per cent.

Behind public bravado, senior figures on all sides are happy to admit that there is everything to play for.

For Mr Neil Kinnock, the best news is that he and his party survived the onslaught launched by the Conservatives during the past few weeks. Labour kept its nerve when it moved from 4 or 5 points ahead to same amount behind.

Mr Kinnock is far less popular with the voters than Mr John Major and his policy U-turns will remain a key target for the Conservatives. Yet even in private his colleagues have largely resisted the temptation to suggest that they would be better without him.

The surveys meanwhile show that Labour has greatly extended its lead since 1987 on the welfare issues of health, education, unemployment and pensions. No matter Mr Major's personal commitment to the NHS, Labour has successfully rammed home the message that the establishment of hospital trusts and family doctor budgets is the precursor to privatisation.

Importantly for Mr Kinnock, as the welfare issues have moved towards the top of the voters agenda his party's traditional weak spots – the trades unions and defence in particular – have slipped down the list of concerns.

Meanwhile, Mr John Smith, the shadow chancellor, has done much to reduce, but not eliminate, the most important negative: the question mark over Labour's competence to run the economy.

The same surveys that show more widespread acceptance of Labour as an alternative also reveal a marked lack of positive enthusiasm. Labour is no longer dangerous but nor is it exciting.

After three years in which its conferences have concentrated on promising not to do things, this is the week when Labour will spell out what it will do. As Mr Roy Hattersley, the deputy leader, pointed out yesterday, the party will begin to campaign for its beliefs.

At the conference we are promised Labour's manifesto for its first year or so in office. By Friday's pre-election rally, we are told, the country will have a good idea of prime minister Kinnock's first Queen's Speech.

The priorities – in education and training, health, manufacturing investment and research and development – will be detailed in the context of making Britain the "best in Europe".

However, as they look at the polls this weekend, Labour leaders are conscious that this in itself will not be enough. They can make Labour a more attractive, less defensive alternative. But for Mr Kinnock to win, Mr Major will have to trip on some of the rocks – Europe, the poll tax, unemployment – strewn in his path between now and next summer.

Philip Stephens

Today's conference agenda

- Morning debates will focus on British manufacturing industry, unemployment and science and technology in a session introduced by Mr John Smith, the shadow chancellor. Nuclear power will also be debated, including proposals that Labour commit itself to phasing out nuclear power within 15 years.
- In the afternoon, Mr Jack Straw, education spokesman, introduces a wide-ranging debate that includes proposals for a medium-term social strategy for the progressive elimination of poverty. Employee rights will also be covered. Conference will be urged to commit the party both to providing increased access to post-16 education and to granting nursery schooling to all three or four-year-olds whose parents desire it.
- **YESTERDAY: Conference overwhelmingly rejected a motion condemning the National Executive Committee's decision to suspend and bar Mr Dave Nellist MP and Mr Terry Fields MP, and demanding that their suspensions be immediately lifted.**

EDUCATION

Career guidance pledge by Blair

A RIGHT TO independent career guidance will be the "first call" on the money raised by Labour's plans for a training levy, Mr Tony Blair, the shadow employment secretary, will tell the conference today.

Emphasis on skills will be at the heart of Mr Blair's speech, which will place Labour's industrial and training policies squarely in the context both of economic competence and of looking forward to the 1990s.

He is expected to say Labour's aim is for everyone to be entitled to a personal development plan. At present, apart from guidance for young people, careers advice may be available from employers but is beyond the capacity of some small companies.

The party will soon start negotiations with the Tecs, the career service and local authorities about how they could deliver a commitment to providing independent guidance.

In its present form, Labour's training levy would be linked to the government's Investors In People initiative, with the additional criterion that employers spend at least 0.5 per cent of their payroll on training – any underspending would be paid as a contribution to the local or national training effort. Very small businesses would be exempt.

People seen as likely to find independent career advice particularly valuable include white-collar workers who have lost jobs in the present recession, and those who recognise that they need retraining.

The overall message of Mr Blair's speech will be that the key test of a party's economic credibility is its ability to make the best use of the potential workforce. His attack on the government's record on unemployment is likely to focus particularly on the issues of the long-term unemployed, whose numbers are growing.

He will also develop his recent theme of looking forward to a partnership in industrial relations for the 1990s as part of a broader cultural change in Britain, contrasting it with the Tory approach, portrayed as a return to the battles of the 1970s.

Alison Smith

NEWS IN BRIEF

● **EAST EUROPE:** Britain was urged to take the lead in initiating a new "Marshall Plan" to provide large-scale economic assistance for the previously Soviet-dominated eastern bloc, in a statement issued by Labour's national executive.

It called for a programme to help the long-term economic transformation of both the Soviet Union and the countries of eastern and central Europe.

In a sideswipe at Mr John Major, the prime minister, current chairman of the G7 group of leading industrial countries, the statement condemned its "negative" attitude.

It urged the seven countries and the European Community to act urgently in a co-ordinated and imaginative manner.

Labour leaders emphasised the need to organise the provision of emergency food aid for the Soviet population to help to avoid severe food shortages and economic and political instability.

That meant working both through Moscow and with the individual republics in the Soviet Union, and with local authorities and trade unions.

● **TECHNOLOGY:** A "Great Exhibition" of British scientific achievements would by organised by a Labour government, Mr Gordon Brown, the party's trade and industry spokesman, will announce today.

He sees the proposals as akin to the 1851 "Great Exhibition" or the 1951 Festival of Britain. The aim would be to promote British innovations in scientific and environmental fields. Mr Brown will call for measures to promote manufacturing and to stop the "brain drain" of scientists working abroad.

● **CANDIDATE SELECTION:** Mr Ashok Kumar, a 35-year-old manager and research scientist employed by British Steel on Teesside, will seek to capture the marginal Langbaurgh constituency from the Conservatives in the forthcoming by-election caused by the death of Mr Richard Holt.

Dr Kumar, a member of the electricians union EETPU, has lived in the constituency since 1985 and has been a member of Middlesbrough borough council since 1987.

● **PARTY FINANCES:** Mr Frank Dobson, shadow energy secretary, returned to the issue of the Conservative party's finances, calling for a fraud squad investigation into the £1.5m in donations made by Mr Asil Nadir, founder of Polly Peck.

Mr Dobson urged the company fraud squad to establish whether money relating to criminal charges against Mr Nadir have been credited to Tory party funds. He said: "It is quite legitimate for the squad to continue inquiries into the whereabouts of monies disbursed by Asil Nadir."

Ashley Ashwood

Yawning gulf: Terry Fields, speaking at a rally yesterday, did not get conference support

Little support for Nellist and Fields

THE ANGER of those supporting Mr Dave Nellist and Mr Terry Fields was loud and heated yesterday. Unfortunately for the suspended MPs, that anger did not translate into numbers.

At a meeting of Labour's national executive last week, Mr Fields and Mr Nellist were suspended from holding party office because of links with Militant. They were also barred from the conference hall.

Action was taken against the MPs after the decision by Militant to field its own candidate against the official Labour candidate in the Liverpool Walton by-election in July. A rally yesterday in their support at the "traditional rallying point for the Labour movement in Brighton" (The Level – a park that houses an enormous funfair at other times of the year) did not attract a very reassuring size of crowd.

More a puny gathering than a mass demonstration, the supporters were mostly selling copies of Militant or Socialist Worker and almost made up for their lack of numbers with the size of their banners.

Prominent were references to the so-called witch hunt of Militant supporters and the recent suspensions of councillors. "We're from Coventry not Salem". "Defend the Lambeth 15", they screeched.

Mr Nellist said: "Our suspension from holding party office together with banning us from party conference is a shameful capitulation to the incessant demands of Chris Patten and the Tory press.

"It's obvious that the odd letter from Tory Head Office carries more weight at Walworth Road than the hundreds of resolutions passed in our support throughout the Labour movement nationally," he railed.

His message to the Labour leadership was to adopt a distinct socialist voice if it wanted to win the election. "We need to try to persuade them to abandon this disastrous course," he said.

Earlier Mr Fields and a clutch of expelled Liverpool councillors were discovering that life without the obligatory red conference pass was bound to prove quieter than the buzz of the conference floor.

On the wide sea front, Mr Fields lobbied union delegates as they made their way into the Ship Hotel.

"The reception has been good," Mr Fields said. "But general secretaries, the powerful people, may be exerting influence and telling delegates not to rock the boat."

Mr Fields did not want to rock the boat. "It is a simple request we are making: just allow us into the conference."

With him on the pavement was Ms Cathy Wilson, an expelled Liverpool councillor. This was to have been her 19th conference, but shifts in the party line had finally got the better of her.

She exclaimed: "I've been angry ever since I joined the Labour party. After being elected as a councillor in Liverpool I voted against a rent increase and was expelled."

As delegates queued to enter the Brighton Centre ready for the opening of the conference, Mr Nellist and Mr Fields handed out leaflets urging them to support emergency resolutions in their favour. Their followers, now dwindled to about 100, barracked the respectable face of Labour.

Mr David Peel from the TGWU was unimpressed. "The situation does not concern the poll tax, it concerns MPs standing against people who have been nominated by the constituencies."

Emma Tucker

'Women only' short lists are rejected

DELEGATES REJECTED an attempt to require constituencies formerly represented by a Labour MP to select by-election candidates from a "women only" shortlist, Ivor Owen writes.

Ms Valerie Farnell, who refused to remit the proposal to the National Executive and insisted on a vote, argued that unless it was approved, the party's agreed objective of having women forming at least half the parliamentary Labour party by the end of the decade was unlikely to be attained.

She deplored the fact that only two women MPs had been chosen as candidates to replace 18 men Labour MPs who would not be contesting the coming general election.

Ms Michelle Thew, from the Hampstead and Highgate constituency, where Ms Glenda Jackson, the actress has already been selected as the Labour candidate, complained about some of the unfair comments being made.

The charge was being made that if Labour failed to win the seat it would be because a woman candidate had been imposed on the constituency.

Opposing the resolution, Ms Sandra Wilson from Cambridge said she wanted to be chosen as a parliamentary candidate because she had proved "I am as good as anyone and not just because I am the only woman available".

● The Conservatives will go "full throttle ahead" with their hospital opt-out programme if elected for a fourth term, shadow health secretary Mr Robin Cook warned yesterday.

He published for the first time a list of 150 hospitals and other service units in the government's third wave of opt-outs in April 1993, and pledged that a Labour government would halt the process and restore all other opted-out hospitals to an integrated health service.

DISARMAMENT

NEC vote sets up clash over defence

MR NEIL KINNOCK refused yesterday to give ground to left-wingers on Labour's cautious disarmament strategy, leaving the leadership braced for defeat in the defence debate on Thursday.

His tough stand comes in spite of US President George Bush's proposals for deep cuts in the country's nuclear arsenal and renewed pressure from the party's grassroots for Labour to reduce arms spending to the average of other west European countries.

At its pre-conference meeting, the National Executive Committee (NEC) voted by 14 to 8 to call for the shelving of a motion insisting on the commitment, in spite of the high likelihood that conference will once again defy the leadership and insist on the cuts.

Last year, six shadow cabinet members on the NEC also rebelled against Mr Kinnock's stand.

This time, however, there was no upset, with the shadow cabinet fully supporting the leader, with a single abstention from Mr John Prescott, the transport spokesman.

Delegates were predicting last night that the NEC will be defeated when the question is put to conference. Instead, there will be a fresh demand for the UK's £23bn arms budget to be cut from 4 per cent of gross domestic product to 3.2 per cent, an estimated £4bn reduction.

Leftwing critics of Mr Kinnock – like Mr Dennis Skinner, the Bolsover MP who sits on the NEC – said yesterday that Labour now appeared less committed to disarmament than the US and Mr Mikhail Gorbachev, the Soviet president.

There is also dissatisfaction on the left that an NEC policy statement on international affairs, drafted this week, fails to offer to halt the UK's Trident nuclear weapons programme or reduce the country's nuclear capacity.

The paper, to be presented by Mr Gerald Kaufman, shadow foreign secretary, says only that Britain should "take immediate steps" to participate in the forthcoming negotiations on nuclear arms cuts.

Justifying the leadership's caution last night, Mr Martin O'Neill, the defence spokesman, said it was impossible for Labour to establish a definitive position until it was in government and "the facts are in our possession".

Labour remained ready to examine reducing the missile capacity or the number of warheads carried in its nuclear submarine fleet, but would not scrap the Trident programme outright, he said.

The NEC also approved a resolution calling on the party "to seize every opportunity to publicise and discuss Labour's new openness to electoral reform".

Ivo Dawnay

Sawyer's 'quiet revolution'

THE MASTER of ceremonies for Labour's week at Brighton – all but unknown to the wider public – is arguably, after Mr Neil Kinnock, the man who has done most to force through the party's quiet revolution.

As party chairman, Mr Tom Sawyer will need to marshal his dry wit and north-eastern charm to chivvy one of the world's most loquacious conferences through its dauntingly ambitious agenda.

But the bearded, self-effacing, highly serious figure in the conference's driving seat this year is as reassuring for the leadership as he is appropriate.

Now in his late 40s, Mr Sawyer has indeed plotted Labour's course back to electability with his reputation for integrity firmly intact. From his place on the picket lines of the 1978-79 "winter of discontent" as a national official of the public employees union, Nupe, he has now ended up as chairman of the powerful home policy committee – the political engine room of the five-year policy review.

Like Mr Kinnock himself, Mr Sawyer makes no apologies for his journey from the hard left to a more pragmatic interpretation of democratic socialism.

"All my life has been a learning process," he said last week, "and that is how it should be for political parties, too – to respond to a changing world."

The young Tom Sawyer – his true first name is lost in the past – grew up in the austere poverty of post-war Darlington, leaving school at 15 to migrate to the Midlands to look for work. After a shopfloor apprenticeship with the engineering union, he joined Nupe as a full-time officer, following his friend and the union's present general secretary, Mr Rodney Bickerstaffe down to London to become his deputy.

By the time Nupe persuaded the other leading unions to back them for a seat on Labour's national executive, both men had moved firmly into the "soft left" camp.

It was only after the party's 1987 election defeat that Mr Sawyer became fully converted to the need for a root-and-branch policy review.

Today, he claims that Labour's late conversion to the kind of social democratic politics long prevailing on the Continent must be blamed on a lack of vision by the party's leaders during "the grey years" of Callaghanism.

Once a political bag-carrier for Mr Tony Benn, Mr Sawyer now describes the hard left's prescriptions as "a blind alley . . . little Englander fundamentalism", incapable of building mass appeal and out of touch with the real world.

"A third road has to be opened up – a democratic socialism – that doesn't argue about the need for markets, but one that opens opportunities to people."

For all his trade unionist roots, Mr Sawyer believes that Labour must push on with its own internal democratisation, eliminating the block vote at conference and extending the principle of one member, one vote to its logical conclusions.

Although publicly upbeat about the coming election, when pressed, Mr Sawyer will concede that Labour may still have more to learn.

Yet it seems that nothing will shake his conviction that the political re-education process the policy review has undertaken has at least secured the party's future for the generations to come.

Ivo Dawnay

Party stage managers fight their corner

Ivor Owen examines the debate surrounding planned reforms of conference procedure

WITH A general election looming, the comrades assembled at Brighton will not give any encouragement to what hardline Communists in the Soviet Union used to describe as the "anti-party group".

There may still be some outbursts from leftwing delegates who believe that in trying to make the party electable Mr Neil Kinnock has lopped off its radical roots. Nor is there much likelihood of the conference's being mistaken for the Conservatives' annual gathering of deferential "representatives".

But procedures introduced during the Kinnock era will ensure that none of his senior colleagues will endure the humiliation experienced by Mr Denis Healey in 1976.

Then, Labour's embattled chancellor was treated little better than a rank-and-file delegate when allowed just three minutes to deal with the crisis that resulted in the International Monetary Fund taking temporary charge of the British economy.

That does not happen in the new model Labour party. The policy review instituted by Mr Kinnock, which led to the discarding of the commitment to unilateral nuclear disarmament and a belated recognition that the market economy has virtues worthy of preservation, also brought procedural innovations for the conference.

The right to speak from the platform is no longer an exclusive privilege of members of the national executive. In contrast to the restrictions imposed on Mr Healey, MPs and union officials introducing policy statements are now given a dispensation to move up from the ranks of delegates who have to speak from the floor.

So far, the changes are temporary. Conference itself would have to give its specific consent before cabinet ministers in a future Labour government enjoy an automatic right to speak from the platform.

Many delegates from constituency parties are determined to avoid finding themselves in the same position as their Tory counterparts whose annual conference is stage-managed by Central Office. The anxieties of the activists have been heightened by their first experience this year of the application of the one-member-one-vote rule at local level.

In the Hendon South constituency party, which has a membership of about 450, the meeting called to discuss the annual conference attracted an attendance of 21. Postal votes cast by absentees totalled 23.

Mr Vladimir Derer, who is associated with the Campaign for Labour Party Democracy, cites the evidence from Hendon to show that the previous practice of individual branches holding meetings to "mandate" delegates attending the conference created more interest.

Mr Harry Barnes, the MP for Derbyshire North-East who defied the Labour front bench in the Commons by voting against Britain's involvement in the Gulf war and by advocating support for those who refused to pay the poll tax, voices widespread reservations among the rank and file about the way the ethos of conference is being changed.

Although not opposed to the curbing of the trade union block vote, he would like the one-member-one-vote principle at constituency level to be linked to a qualification based on attendance at party meetings, with exceptions for the disabled and other appropriate categories.

Mr Barnes is concerned about the extent to which the annual conference is being influenced by decisions made at the party's Walworth Road headquarters. He complains: "There is a tendency towards centralisation which is not all that compatible with internal participatory democracy."

There is discontent also among activists with the recently introduced procedure providing for wide-ranging debates on a group of issues. The effect is to prevent a succession of speakers from concentrating on a single embarrassing topic.

Still, with Mr Kinnock firmly in charge of the National Executive, the momentum for change – and towards tighter stage management – looks unstoppable.

A range of further reforms is planned for the first conference held after the election.

Chief among them is the trigger mechanism for limiting the power of the trade union block vote – initially reducing its weighting at the annual conference from 90 per cent to 70 per cent – with further reductions to be introduced in proportion to the growth in individual membership.

Mr Kinnock hopes also to secure approval for the introduction of a 170-member national policy forum and seven standing commissions covering various policy areas which between them would produce a "rolling programme".

The annual conference would then have a reduced role in initiating policy and the horsetrading between the big unions that leads to multi-faceted "composite" resolutions would be reduced.

If the self-styled "captain" Kinnock also gains the title of prime minister, a restyled conference could give him a more effective means of controlling all the party's institutions than any of his predecessors.

UK NEWS

Government to withdraw from pay agreements

By John Willman

THE government is today expected to tell unions representing more than half a million public officials that it is withdrawing from existing pay agreements.

The move, affecting the 550,000 officials known in Britain as civil servants, comes as negotiations are about to begin on changing the agreements to strengthen the link between pay and performance and to decentralise pay talks.

Unions will now be under pressure to accept changes demanded by the government to retain the formula for pay agreements linking salaries in the Civil Service to the private sector.

The decision to renegotiate the six civil service pay agreements was announced in July by Mr Norman Lamont, the Chancellor of the Exchequer. It followed publication of the prime minister's citizen's charter which stressed the role of performance-related pay as an incentive for improving the quality of public services.

The civil service agreements, signed in 1988 and 1989, include an element of performance-related pay which accounts up to 5 per cent of the £7bn salary bill. But most civil servants are not eligible to receive performance pay until they have been at the top of their salary scale for five years.

Ministers want to amend the agreements to introduce greater opportunities to win performance pay additions. Among the options under consideration are extending performance pay to staff who are not at the top of their pay scales, and awarding it to offices or teams which have achieved pre-set targets.

Mr Lamont's statement also acknowledged pressure for decentralised pay bargaining from the managers of executive agencies set up to deliver government services, such as the payment of benefits.

These managers want freedom to opt out of the national pay agreements and adopt pay and grading structures more appropriate to their operations.

Mr Lamont has endorsed bargaining at departmental and agency level, which appears to end the Treasury's previously opposition to devolution of pay responsibilities.

The Treasury is expected propose plans to implement these changes next month, with a timetable to complete negotiations by the end of the year. But it must issue the termination threat today to give the required six months' notice for agreements which provide for a pay rise from 1 April 1992.

All the unions are likely to oppose strengthening performance pay arrangements they resisted when the existing agreements were negotiated.

The Association of First Division Civil Servants (FDA), which represents top civil servants, has highlighted evidence which suggests that performance-related pay arrangements in the civil service discriminate against women. Treasury figures published by the FDA show that 52 per cent of top male civil servants qualified for performance-related payments, while only 38 per cent of top women did so.

The Council of Civil Service Unions will meet on October 8 to determine their response.

Network of 'marriage bureaux' likely for small investors

By Charles Batchelor

PLANS FOR a nationwide network of "business marriage bureaux" to forge links between private investors – "business angels" – and small businesses seeking equity capital are expected to be announced by the government within the next few weeks.

The scheme will be run on a pilot basis at five centres for a two-year period. The government will provide funding of £20,000 a year. The Department of Employment is assessing bids from enterprise agencies and other small business support organisations to be allowed to run the five pilot centres.

Mr Eric Forth, small firms minister at the department, has been considering the plan for the past year and has looked at the experience of small firms with angels in the US. Angels are estimated to provide more finance to US small firms than the formal venture capital industry.

One of the enterprise agencies to bid for a pilot franchise is the Staffordshire Development Association, which is part of the county council's economic development unit. The association would appoint a representative from a bank or large local employer to run the marriage bureau, said Mr Rob Redfern, principal finance officer with the county council.

News of the government plans coincides with the publication of a report claiming that private investors are already an important source of funding to small firms but that, with encouragement, they could make an even greater contribution.

Private funds are not fully exploited by small businesses and business angels are unable to find enough investment opportunities, according to the study by Mr Colin Mason of Southampton University and Mr Richard Harrison of the University of Ulster.

The two researchers call for the creation of a national network of marriage bureaux to bring investors and companies together. They spoke to 86 investors who had invested a total of £3.1m in 172 ventures over a three year period but who had up to £10m of additional funds which they wished to invest.

Business referral services have attracted only a limited subscriber base and achieved only modest success in promoting successful matches, the researchers noted.

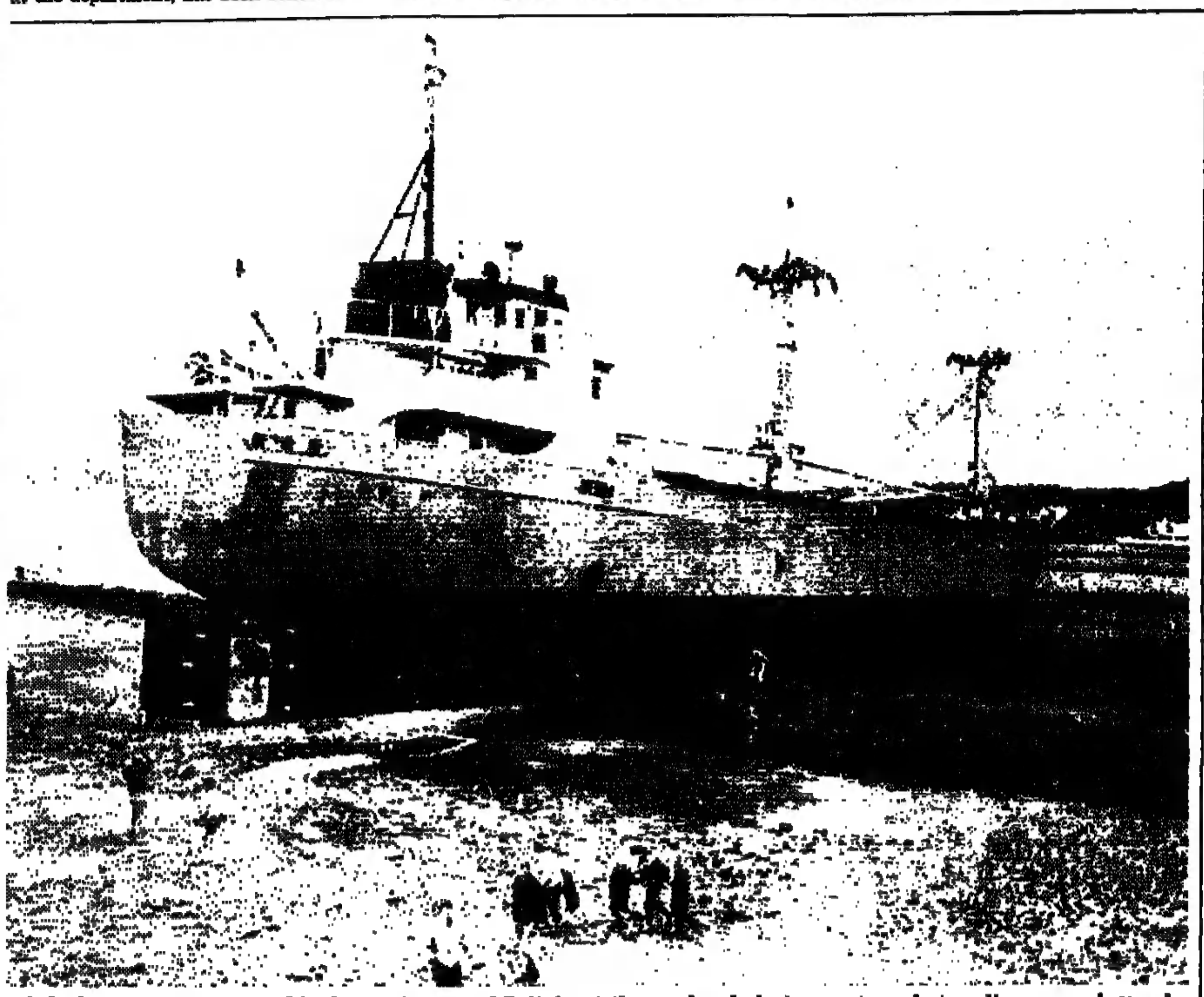
● A pilot scheme designed to help unemployed Hungarians search for jobs in a market economy opens tomorrow with assistance from the Department of Employment.

The Jobclub, modelled on the British equivalent, will teach Hungarians how to look for jobs, make applications and improve interview skills.

Mr Mike Fogden, chief executive of the Employment Service, an executive agency of the Department of Employment, will formally open a Jobclub in the city of Eger, north of Budapest.

Hungarians will be able to attend training sessions and use the centre's telephones, stationery and postage to help in their job hunt.

Eger was chosen for the scheme by the Hungarian government as a town with a mixed economy including substantial numbers working in mining and food processing. Unemployment was officially 200 last year, but is expected to rise to 10,000 by the end of 1991.



Gale force: severe storms hit the west coast of Britain at the weekend closing ports and stranding several vessels, including the Honduran-registered vessel Marga Cortes (pictured yesterday) which ran aground at Clwyd, north Wales

Specialists urge stronger action on public health

By Alan Pike, Social Affairs Correspondent

THE government came under pressure yesterday to strengthen its proposed strategy to improve national health standards announced by Mr William Waldegrave, health secretary, in a green paper in June.

A report by an influential group of public-health specialists argues that Britain still has a poorer health record than many of its European neighbours, with wide divisions between rich and poor.

The authors have written to Mr Waldegrave, urging a tougher programme, with National Health Service funds earmarked for health promotion. They call for action in 11 priority areas, and warn that the government's narrower programme might actually "further inequalities between rich and poor, young and old".

A broadly based independent committee of academics and health specialists has produced the report, published by the King's Fund health policy research centre and supported by the Health Education Authority and the London School of Hygiene and Tropical Medicine.

It says Britain has relatively low infant mortality rates, but expectation of life after the age of 45 is "among the worst in north-western Europe".

Many of the causes of premature mortality and other health threats are linked to social deprivation. Mr Waldegrave has decided against making the closing of the health gap between social groups a target of the government's strategy.

The King's Fund report, however, emphasises the links between poor health and deprivation. It says: "The health disadvantage of the working classes might be an area of public health in which major gains can most readily be achieved."

It urges action on smoking, diet, alcohol, physical activity, sexual health, road safety, maternity services, dental health, early cancer detection, high blood pressure reduction and immunisation.

The government is under attack from health promotion interests for failing to support an EC plan to ban almost all cigarette advertising. Previously unpublished health department research in the report shows a majority of Britons would support a ban on posters and in newspapers.

Tories signal new plans to reduce inheritance tax

By Philip Stephens and John Authers

THE Conservatives signalled yesterday that Mr John Major is ready to commit the party to substantial reductions in inheritance tax (IHT) during the next general election campaign.

Senior party figures said the prime minister had backed to plans to raise the present £140,000 threshold for payment of the tax and to consider reducing the 40 per cent rate on sums above that level.

Despite Treasury objections to a commitment which might push the Conservatives into *abolishing* the tax, the party is expected to promise a reduction in its election manifesto.

The manifesto will say a future government under Mr Major will promise to allow the transfer of wealth from generation to generation.

The political appeal of reducing inheritance tax comes from the fact that the present threshold – raised from £128,000 in the last Budget – fails to take into account the sharp rise in house prices over the past decade. Many middle class people inheriting houses in high-value areas became liable to a tax intended originally for the rich.

Ministers believe a pledge to reduce the tax, which raises about £1bn in revenue, would help sharpen the contrast on tax between the Conservatives and Labour.

The current tax regime is already very lenient, for those who know how to take advantage of the exemptions – one accountant has called it a "voluntary tax" – but few people take advantage of the opportunities to avoid paying. A Mori survey earlier this year found that 62 per cent of people aged between 50 and 64 had done nothing to plan for IHT.

This suggests the advantages of the current regime go mainly to those wealthy enough to pay for advice. Reform could make it simpler for the new generation of home-owners to avoid paying.

It could have a more serious impact on the financial services industry. Mintel, the market research company, found that £8.1bn passed directly from one generation to another in the tax year of 1990-91. It projects that this will rise to £13bn by the year 2000.

Much financial marketing is currently aimed at scooping up some of this wealth, most of which goes to middle-aged people who already own their own homes, and this would increase if the tax were reformed.

Anxious moments precede election date

FT reporters gauge business and local government concerns on the timing of the poll

UNCERTAINTY about the timing of the UK general election is disrupting business planning and may be delaying the rebound in investment and consumer confidence.

Many local authorities are worried by the speculation because they fear an early election could upset plans to replace the poll tax, the controversial charge designed to pay for local services but dropped amid fierce opposition.

Council financiers probably have a vested interest in a June election producing a Tory victory, which would mean the plans for the government's new council – due to be launched in April 1993 – go through unscathed. Should the Labour opposition win, it would almost certainly scrap the scheme, disrupting council finances.

In the City, however, the uncertainty has buoyed the market for certain types of financial instruments which are destined to be scrapped if Labour takes power.

There is also some evidence that companies have speeded up rights issues, or even merger activities, to ensure that these are in hand before an election intervenes.

Investment groups are seeing a surge in demand for financial instruments tied to putting money into what are called assured-tenancy business expansion schemes – where a specially formed company buys housing and rents it out to a third party, with investors guaranteed a return. The product is proliferating because Labour Party has said it will be scrapped if it forms the next government.

Companies have speeded up rights issues, or even merger activities, to ensure that these are in hand before an election intervenes.

Mr Sudhir Junankar, head of economic trends at the Confederation of British Industry (CBI), the employers' organisation, said election uncertainty "was not helpful", and may be causing companies to delay investment plans.

Mr Jim Maxmin, chief executive at Laura Ashley, the fashion and furnishings group, said the economic upturn was probably being delayed by consumers becoming "ultra-cautious" about increasing spending due to anxiety about the shape of the next government.

Another area where the uncertainties may be speeding up events is in rights issues. At Hillsdown Holdings, the food group, Mr Kevin O'Sullivan, finance director, said that not knowing the election date had had some effect on the timing of its £281m rights issue, announced last week. "One consideration was the election and the uncertainty that might arise in the market."

Professor Paul Marsh, a management expert at London Business School, said companies might be accelerating other developments, such as mergers, on the grounds that the climate for these could be affected after an election.

A specific worry in some quarters of industry is that a new Labour government might increases taxes for the higher-paid.

Sir David Plastow, chairman and chief executive of Vickers, the engineering group which makes Rolls-Royce and Bentley cars, said speculation about the election date might be influencing people considering luxury purchases.

In the property market "there is anxiety among high earners that their tax position might be dramatically altered after the election".

At Wimpey, Britain's second largest housebuilder, Sir Clifford Chetwood, the chairman, said questions over the poll date have held back housing demand. "This is particularly true at the top end of the market where there is anxiety among high earners that their tax position might be dramatically altered after the election."

Mr Ian Maclellan, managing director of Ibstock Johnsen, the bricks and forestry products group, said he favoured a move to fixed-term elections, as it would "smooth the ride [for business]".

While many businesses would be glad to see an early election, on the grounds of making planning easier, such an announcement would be received particularly warmly in the tourism industry, since it would almost certainly lead to a rush of bookings for overseas breaks by people anxious to avoid weeks of political punditry at home.

Mr Keith Betton, head of corporate affairs at the Association of British Travel Agents (Abta), said: "If we do have a November election, I will not be around. I will be away on holiday."

Reporting by Peter Marsh, Jane Fuller, John Willman, Peggy Hollinger, Michiyo Nakamoto, Andrew Taylor and Andrew Baxter.

MPs face tighter rules on lobbying

By Alison Smith

A NEW public register of parliamentary lobbyists is at the centre of tighter rules about MPs' business interests recommended today by an all-party committee of MPs.

The proposal comes in a report on parliamentary lobbying by the select committee on MPs' interests and follows an extended inquiry into the industry. Recommendations also include new restrictions on MPs' links with commercial lobbying organisations. Only commercial companies would be covered by the planned register, and it would omit charities or pressure groups.

The controls on MPs' interests operate through a system of declaration. MPs are allowed professional and business links, but they must be publicly registered, and declared if an MP makes a speech in the Commons to which his or her interests are relevant.

The recommendations will have to be approved by the Commons itself before they can be implemented.

UK NEWS

Business failures rise to 930 a week

By Charles Batchelor

AN AVERAGE of 930 businesses collapsed each week in England, Scotland and Wales during the first nine months of this year, according to Dun & Bradstreet, the business information group.

That compares with 545 a week in the same period in 1990 and 900 a week during the first six months of 1991. Total business failures rose by 71 per cent to 83,532 in the first nine months of 1991, the largest increase for 11 years.

The figures mirror the trends of the last recession, when business failures continued to rise sharply for two years after the first signs of a recovery appeared in 1981, Dun & Bradstreet said.

The group said it looked as if its earlier prediction of 40,000 business failures in 1991 would prove correct.

The sharpest effects of the recession are no longer being felt in the south-east region and are at their fiercest in the south-west and the east Midlands, which recorded increases in failure rates of 90 per cent each. Wales, eastern England and Scotland also recorded increases of 80 per cent or more.

In the south-west, business failures rose from 2,009 in the first nine months of 1990 to 3,830, while in the east Midlands they increased from 829 to 1,575.

In the south-east failures rose by 73 per cent to 6,705. In London failures rose 59 per cent to 5,654.

The announcement coincided with the launch of a small-business Charter for Enterprise by the Federation of Small Businesses and a call for the government to create a more favourable environment.

Small businesses need a charter equivalent to the citizen's charters that have been announced by the main political parties, the federation said. It has changed its name from the National Federation of Self Employed and Small Businesses.

Mr John Harris, policy unit *chairman, said: "Small busi*nesses desperately need a lot more carrot and a lot less stick."

The federation's 28-point charter included calls for a mandatory analysis of all new regulations to assess their effects on small business; court reforms to ease the pursuit of late payments and bad debts; and the abolition of business rates.

It also wants the introduction of a two-tier system of interest rates with a lower rate for business borrowing, a man*datory code of conduct for the* banks and the simplification of business leases and rent review procedures.

Baker criticised over law and order

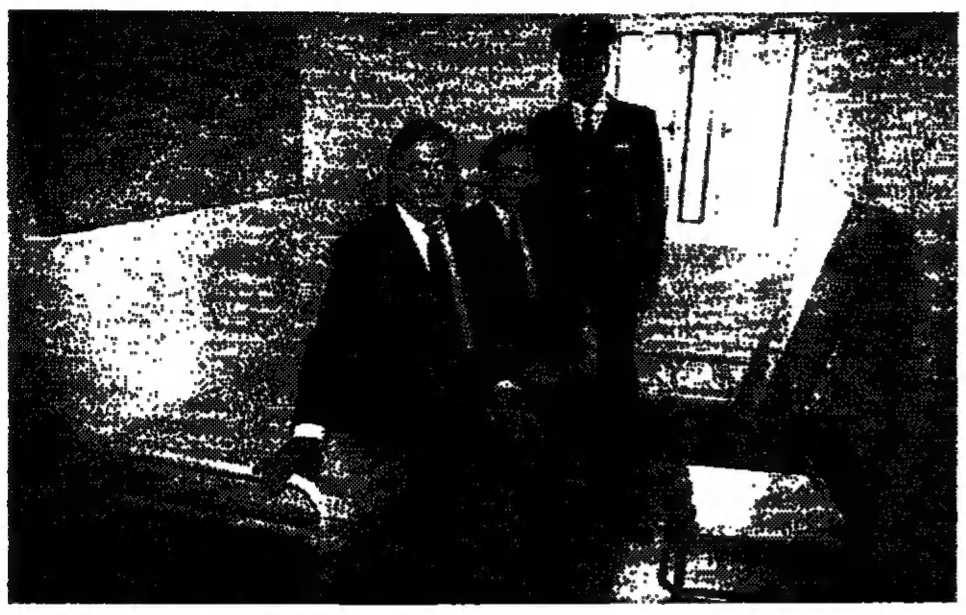
By Robert Rice

THE GOVERNMENT has been accused of complacency over law and order in an attack by the chairman of the Bar, which represents barristers.

At the Bar's annual conference in London, Mr Anthony Scrivener QC told Mr Kenneth Baker, the home secretary, that law and order were in crisis. He said: "The police are desperately short of resources; sentencing policies do not seem to be working; having to use police cells to house prisoners is hopeless; the conviction rate has never been lower; and yet there seems to be a general aura of complacency about it. What we need is some leadership to take us out of it."

Earlier at the conference Labour's plans for a ministry of justice had been attacked by Mr Baker.

He said the opposition's proposals were designed to secure influence over the judges and to make the courts "directly accountable" to MPs in every aspect of their organisation and operation.



Condemned: Kenneth Baker pictured during a visit to Belmarsh Prison, Thamesmeade

Mr Baker derided Mr Roy Hattersley's views on the judiciary to his audience of barristers and judges and said that the independence of the judiciary could be guaranteed only under a Conservative government.

He said that the shadow home secretary was on record as saying judges were notoriously their own creatures, disinclined through long exercise of power to heed outside influence, and that at no time in our history had the public been less satisfied with them.

The government's position was clear, he said. "We respect and value judicial independence. That independence, free of interference from politicians, is one of the fundamental principles rightly cherished in our country."

The home secretary defended the government's record on law and order and law reform. It had pushed through substantial measures on police powers, criminal evidence, sentencing and prosecution arrangements. "That is not a policy of neglect," he said.

Mr Scrivener said that although the Bar's governing council had never formally debated the idea of a ministry of justice, no one within its "cabinet" was against it. The Lord Chancellor's Department was an extremely high-spending department which was only answerable to the House of Lords and there was a parliamentary principle at stake, he said.

Builders urge cash aid from councils

By Andrew Taylor, Construction Correspondent

CONSTRUCTION INDUSTRY leaders will ask the prime minister today to ease restrictions inhibiting local authorities from spending proceeds from council house sales on new construction.

The presidents of three of the industry's largest trade associations, representing companies with a combined annual turnover of more than £40bn, will meet Mr Major at 10 Downing Street to discuss the effects of the severe recession on construction and building-material companies.

Sir Clifford Chetwood, president of the Building Employers Confederation and chairman of Wimpey, the country's second-largest house builder, has given a warning that a quarter of a million construction jobs are likely to have disappeared between the middle of 1989 and next summer.

He will be joined at the meeting with the prime minister by Mr Andrew Teare, president of the National Council of Building Material Producers and chief executive of ECC group, formerly English China Clay, and by Mr James Miller, president of the Federation of Civil Engineering Contractors and chairman of the Miller group, a privately owned building and civil engineering company.

They are expected to try to persuade the government to take advantage of cheap prices in the construction industry to encourage spending on infrastructure – particularly on roads but also on schools and hospitals.

They will also ask Mr Major to allow councils to spend a much higher proportion of capital receipts from council house sales to build new houses in order to reduce homelessness and to increase work for one of the industries worst affected by the recession.

Lawyers still at odds, Bar meeting told

By Robert Rice

BARRISTERS and solicitors are still at odds over who should have the right to appear as an advocate in the higher courts, the Bar conference was told yesterday.

Mr Philip Ely, president of the Law Society, which represents solicitors, said the fact that the head of the solicitors' profession had been invited for the first time to speak at the Bar's conference was recognition of improving relations between the two branches of the legal profession.

Nevertheless, on certain issues, such as rights of audience and the circumstances in which a lawyer should be obliged to take on work, barristers and solicitors were still "visibly unable to reach agreement or even common ground".

The government's reforms of the legal profession had deliberately made barristers and solicitors into competitors,. but solicitors still needed barristers and would continue to do so.

Mr Ely also criticised the Bar for its failure to establish an objective scheme for identifying barristers with specialist expertise in particular areas of the law. The solicitors' profession was establishing specialist panels for assessing solicitors' expertise in such areas as personal injury and medical negligence because it recognised that in certain areas of practice mere qualification as a solicitor was not enough.

Without similar schemes for assessing the expertise of barristers, solicitors were unable to safeguard standards of service to the public in cases where it was necessary to instruct a barrister. It was not good enough to say that a specialist childcare solicitor should just instruct any barrister, he said.

On Sunday trading and the issue of whether the 1950 Shops Act contravenes European Community law, Mr Justice Hoffmann said the supremacy of EC law over UK law had never been in doubt since Parliament passed the European Community Act in 1972.

Generally, English law had adapted well to that but some areas remained contentious. The issue of the Shops Act had had to be referred twice to the European Court in three years, partly because the court had been unable to give a clear answer in 1988 and partly because it appeared to have changed its mind in two subsequent Sunday trading cases involving France and Belgium.

Sunday trading, Mr Justice Hoffmann said, was one area where the supremacy of EC law had produced a "complete dog's breakfast".

Doubt over Black Country development

By Paul Cheeseright, Midlands Correspondent

LONGSTANDING plans for a shopping and leisure complex at the largest site available for development in the Black Country are about to thrown into confusion by the Metropolitan Borough Council of Sandwell, the majority landowner.

The 120-acre site, north-west of Birmingham, at the old Patent Shaft steel works, formerly used by British Coal for opencast mining, is one of two lynchpins in the plans of the Black Country Development Corporation (BCDC) to regenerate one of the most derelict industrial areas in the UK. The other is a new trunk road, passing by the site, connected to motorways.

This week the council's planning and property resources committee is expected to pass a motion seeking a change in the designated use of the site from retail to general business activity. It will propose a change in the council's unitary development plan, which will settle the pattern of land use in the borough for the next 10 years.

Mr Bob Badham, the committee's chairman, said: "The original idea is outdated." The site is needed so that it can be developed for what he called "real jobs". He added that in the present economic situation it would in any case be difficult to generate funds for the retail and leisure scheme.

Speyhawk, the prospective developers of the site, called the council's expected move "precipitate" and thought it showed "a tendency to go for short-term expediency".

Wales seeks to lure financial companies

By Anthony Moreton, Welsh Correspondent

WELSH Development International, the inward investment arm of the Welsh Development Agency, is launching a series of roadshows across Europe seeking to attract more financial services companies.

Dr Gwyn Jones, chairman of the agency, said the drive would be based on the success of the financial services initiative launched three years ago.

Dr Jones was speaking at the weekend to more than 100 senior executives in the City of London.

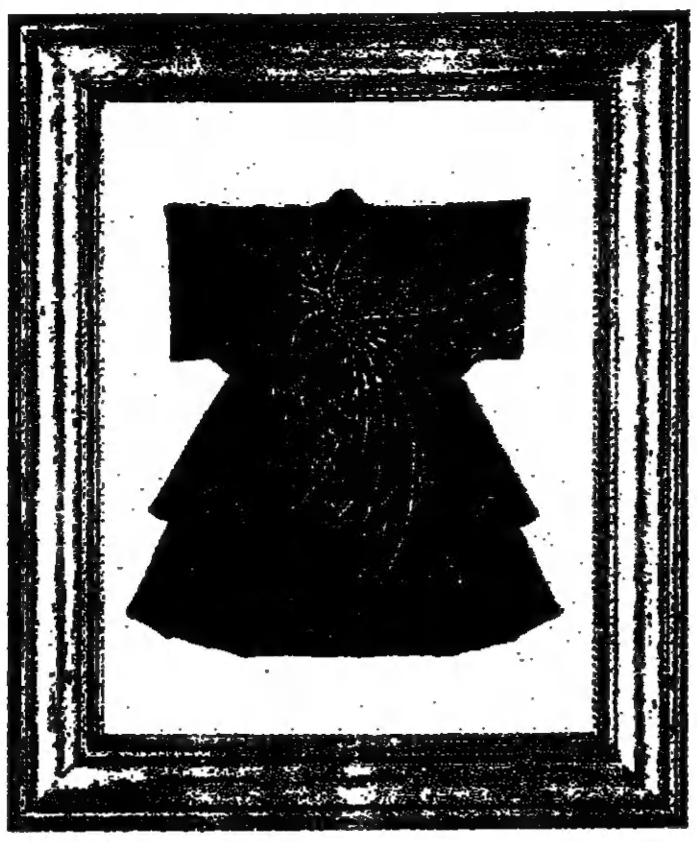
With more than 70,000 people employed in finance in Wales, he said, a firm base existed for securing more European companies. Labour was available, and with reasonable rents and easy access to the City of London, south Wales was a particularly favourable spot for expansion.

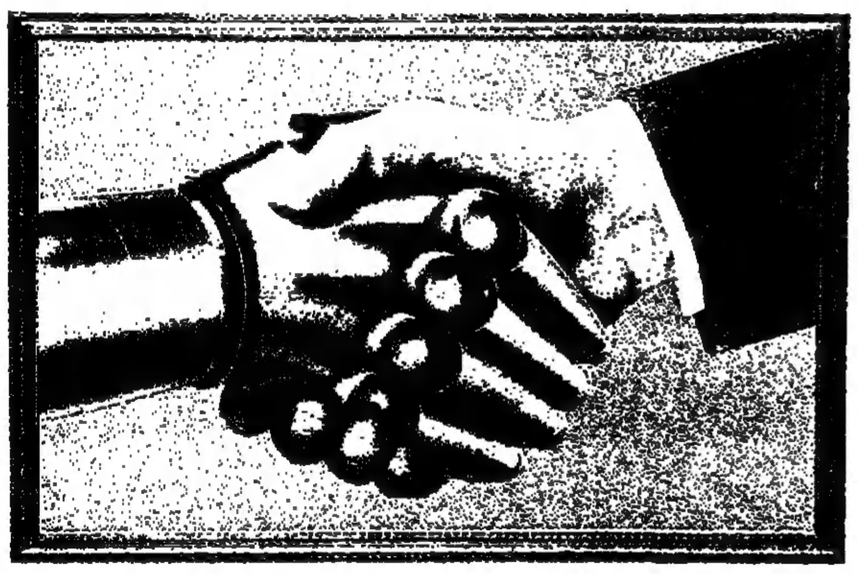
He said the industrial successes of the past two decades, were being complemented by the growing financial services sector.

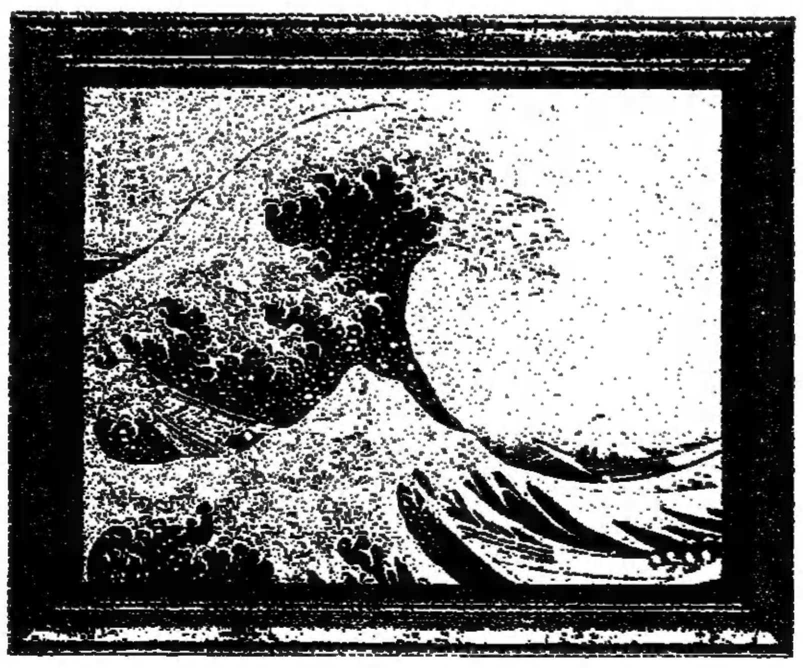
WDA research had shown that more than 70 per cent of Japanese companies in Wales placed their insurance with companies based in Wales.

Dr Jones said the pace of investment in Wales was increasing. In the first half of this financial year, 54 new projects and 44 expansions were announced, involving investment of £667m. That compared with 147 projects in the whole of 1990-91.

THE JAPANESE HAVE MARSHALLED THEIR ARTS.







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MIDLAND GROUP TOYOTA in the UK Canon

Inflation index may stop using mortgage costs

By Peter Marsh

THE GOVERNMENT'S Central Statistical Office is considering dropping mortgage payments in calculations of the retail prices index (RPI), as a prelude to bringing UK practice into conformity with those in other European countries.

Any moves to change the RPI would be politically sensitive, though, inviting criticism that the government was attempting to put a favourable gloss on its economic record, so firm proposals for alterations are likely to be delayed until after the next general election.

Britain is one of the few industrialised countries to use mortgage payments as a basis for measuring housing costs in their indices of consumer [redacted]

The CSO initiative arises partly from discussions about the convergence in pan-European inflation performance that would be needed [redacted] agreement on European economic and monetary union. There is new interest in harmonising measurements of inflation across the community.

Another aspect is that for some years the Treasury has been unhappy that Britain's measurement of inflation fails to give a true picture of changes in prices [redacted] consumer level.

Ministers are particularly concerned [redacted] if they raise interest rates in an [redacted] slow inflation, that will increase mortgage payments and have the perverse effect of pushing up the RPI.

Among alternatives to using mortgage rates to measure housing costs, the CSO is considering a direct monitoring of house prices or the substitution of "imputed rent" levels – what householders would be paying if they were renting rather than buying. Another idea is to average out mortgage payments over a long [redacted] difficulty for [redacted] that Britain has [redacted] higher proportion of owner-occupiers than most other developed countries. As [redacted] result, a system of measuring inflation that does not [redacted] for mortgage payments would look dubious.

Any move to change the RPI would, on past precedent, require the consent of the RPI Advisory Committee. The committee comprises mainly non-government experts and normally has as its chairman the head of the CSO.

In the past, the committee has rejected schemes to reduce the weighting of mortgage payments in the index.

Venture fund targets smaller companies

By Martin Regan

A NEW venture capital fund for the north-west is to be launched this week by Lancashire Enterprises, the former economic development arm of Lancashire County Council.

The £5.3m fund, LE Ventures, is aimed at unquoted companies of small to medium size and will offer investments of up to £500,000. The fund will be managed in the north-west and be available to companies within the region or those relocating to it.

Mr Jim Mason, Lancashire Enterprises chairman, [redacted] fund [redacted] "considerable achievement in [redacted] present [redacted]mate". The money has [redacted] from [redacted] number of institutional investors, including Guardian Royal Exchange, the insurance group.

LE Ventures will [redacted] the fifth fund managed by Lancashire Enterprises, which was sold by the county council last year [redacted] proposed government restrictions on local-authority ownership of profit-making [redacted]

Newcastle council faces further cuts in education budget

NEWCASTLE councillors will decide tomorrow on further cuts in the city's education budget, which faces a reduction of up [redacted] next year as [redacted] £15m [redacted] across the board.

In an attempt [redacted] avoid charge-capping, the city coun[redacted] already this [redacted] cutting its education budget from £111m to £106m, but it has [redacted] that more [redacted] in 1992-93 are unavoidable.

The education committee, which [redacted] so far [redacted] cuts [redacted] £3.5m for next year, will decide tomorrow how spending on youth and community work and the adult education service can be pruned. Their functions include enhancing standards [redacted] literacy and numeracy among the unemployed.

The effects [redacted] the [redacted] include redundancies, a freeze on equipment spending [redacted] reductions in [redacted]

Mr Mark Corner, education committee chairman, said the scale of the [redacted] showed the "nonsense" [redacted] the government's City Challenge initiative, which will bring about £7.5m to Newcastle next year.

He said: "The government can afford money for prestige capital projects but [redacted] for revenue [redacted]nding.

"But the basic [redacted] spending is [redacted] is essential. There's [redacted] little understand[redacted] about [redacted] in which the draining [redacted] resources in the city is upsetting its social fabric."

The city's financial difficul[redacted] have been worsened by the street disturbances earlier [redacted] month, in which [redacted] suffered more than £400,000 of damage [redacted] petrol bomb, [redacted] and vandal attacks.

The council's [redacted] bill for [redacted] is estimated [redacted] £500,000. Councillors are expected to [redacted] this [redacted] to seek government help towards meeting the cost.

The Northumbria Policy Authority, which faces [redacted] £2m bill for additional policing during [redacted] riots, [redacted] already lobbying the government for financial help.

Investment of pride in Northbourne Street

Chris Tighe at the scene of recent riots talks to local people about the way to achieve urban renewal

GRAFFITI and rubbish deface the sparse [redacted] castle playground [redacted] worth [redacted] equipment bought with [redacted] local people was burned down by teenagers.

Around the [redacted] in Northbourne Street, [redacted] an £8.9m North Housing [redacted]tion revitalisation completed in [redacted] empty [redacted] up to deter vandals.

As night falls, [redacted] boys [redacted] road [redacted] the [redacted] practise hitting [redacted] with empty bottles. They [redacted] standing [redacted] a council housing estate where workmen spent the afternoon erecting fancy porches, part of yet another attempt to transform Newcastle's West End by public-sector investment.

Mr Arthur Keenan, 51, who lives in Northbourne Street, said: "You think to yourself quite often, why bother?" But Mr Keenan, who moved into the newly upgraded street in 1985, when Prince Charles visited and the future, briefly, seemed rosy, is among a group of tenants who have decided they must act to prevent their [redacted] declining further.

[redacted] End, scene [redacted] rioting [redacted] ago, [redacted] the [redacted] in [redacted] years [redacted] plethora [redacted] costly public-[redacted] schemes. It is now [redacted] 11 areas chosen for the government's new city challenge. That will [redacted] £37m [redacted] the West End over the next five years.

Increasingly, though, the [redacted] politicians, [redacted] private sector and those tenants who care about their environment are concluding [redacted] investment can bear fruit only if local [redacted] the disaffected [redacted] involved in [redacted] way [redacted] gives [redacted] pride in their area, and hope. Mr Keenan, [redacted] labourer unemployed [redacted] past 10 [redacted], said: "If [redacted] plough the money [redacted] into decorating just the outside, [redacted] can guarantee [redacted] will [redacted] back [redacted] the [redacted] years. It's a [redacted] of money till [redacted] fight the problems [redacted] the teenagers."

Last week he and fellow residents opened an office for the Northbourne Street Area Ten[redacted] Group. [redacted] rebirth was spurred by a [redacted] rent rises to fund increased security in the wake of an £8,000 orgy of [redacted] by [redacted] who wrecked an empty flat within hours.

North Housing [redacted] pro[redacted] a flat for [redacted] group's offi[redacted] £1,500 funding – but local harassment [redacted] already dissuaded some residents from [redacted]

Mr Danny Carrington, [redacted] group's 24-year-old chairman – an unemployed former barman [redacted] male stripper - blames parental irresponsibility in many cases. He believes [redacted] money needs to be spent in the area on recreational facilities to get young people off the streets. "I think we could do with a million pounds or so here."

The city challenge area [redacted] a [redacted]mile strip running parallel with [redacted] Tyne from [redacted] city [redacted]tre. It has 35,000 residents. Unemployment [redacted] 23 per [redacted] but in many pockets [redacted] much higher. Only 14 per [redacted] of the 15,500 households are owner-occupied. The comprehensive school serving the area has a truancy rate of 25 per cent and only [redacted] per cent [redacted] its [redacted] get five or more [redacted] GCSEs.

Even [redacted] riots, [redacted] West End's [redacted] and economic ills [redacted] private-sector investment. Half [redacted] shop units in [redacted] privately owned Benwell Shopping Centre [redacted] been let.

[redacted] local-government spending have taken their toll. [redacted] Newcastle [redacted] Council is having [redacted] make [redacted] on revenue spending in the city of £17m and is planning cuts [redacted] £15m in [redacted] Social security changes [redacted] also cut local [redacted] disposable income.

The city council, which bud[redacted] departmentally, is unable [redacted] give a total of public-sector money [redacted] on projects in the West End in recent years.

The schemes, [redacted] and present, applied [redacted] since 1981 include the urban programme, [redacted] action, the urban [redacted], city grant, housing action areas, general improvement areas, an enter[redacted] zone, [redacted] development corporation, [redacted] crime prevention initiative, The New[redacted] Initiative (TNI) – the CBI's first business leadership project – a variety [redacted] environmental and [redacted] development projects and, now, city challenge.

Current and recently completed public-sector housing revitalisation investment, virtually all [redacted] than 30 [redacted] old, exceeds [redacted] Spending in the [redacted] End under the [redacted] programme alone [redacted] £2.4m this year.

In [redacted] city challenge [redacted]sion, [redacted] city [redacted] hoped, under [redacted] five-year action programme [redacted] at creating 10,000 jobs, to spend £27.1m [redacted] area in [redacted] including £7.4m city challenge [redacted]

[redacted] the [redacted] promising schemes, [redacted] Park initiative, suggests that slow, painstaking work building up residents' confidence, [redacted] and aspirations [redacted] as [redacted] big capital spending.

Started by [redacted] Initiative, the project [redacted] focused private-sector, [redacted]tional [redacted] public-sector [redacted]tion on a small, deprived [redacted] the [redacted] End where 2,000 people live. After [redacted] years' intensive [redacted] by all concerned, about [redacted] people have found jobs and [redacted] businesses [redacted] created by [redacted] people. The area largely escaped the riots.

Mr Ian Sharp, a Barclays Bank manager seconded to TNI as assistant chief executive, doubts whether the private sector has the resources to repeat such an initiative throughout the West End.

Yet he has no doubt about [redacted] "Spending [redacted] is important, but the most important thing is getting people to respect the property, be proud of it and make it an area where people want to live."

Stewart Bonney

Hoping: Newcastle West End residents Arthur Keenan (left) and Danny Carrington

MANAGEMENT

Deere ploughs on against the clock

Tell a bank, an airline, or an electronics manufacturer that a green combine harvester and a yellow trench-digger herald their future, and you're likely either to be laughed at, or to be shown the door.

Yet the streamlined ways in which Deere & Co, the American agricultural and construction equipment maker, developed these two newly-launched products are very much leading edge examples of the kind of organisation which almost every company in every industry is struggling to create in order to survive against fast moving international competition: lean, flexible, and above all free of the departmental barriers between functional specialists which have condemned most large western companies to lumbering bureaucracy over the last 70 years.

As Deere has found over its last seven years of learning how effective teams work, and as other companies are now discovering to their cost, the development of a flexible, team-based organisation is far harder and more protracted than most people realise.

Along with a handful of other top American manufacturers, such as 3M and General Electric, Deere has long been admired as a model of good new management practice. This remains true today despite its business problems: in a gloomy market, its financial performance, although depressed, is much better than that of its farm machinery rivals.

Back in 1984, the company's top management conceded publicly that what it called a "glitch" in relations between its different engineering specialists was making new John Deere products far too slow and expensive to develop.

As a result, head office set about encouraging Deere's various divisions, which have always had a great degree of autonomy, to experiment with different ways of knocking down the walls between different departments, and especially between its product engineers (designers) and manufacturing engineers. This glitch is especially costly, since it results in lengthy delays when manufacturing engineers are handed designs which they find (or claim) to be incapable of efficient manufacture without extensive rework.

In some parts of the group, such as the components division in central Iowa, Deere started to use multifunctional project teams. In others, such as the Wisconsin-based consumer products unit (best known for garden mowers) and hay making equipment (in southern Iowa) the top product and manufacturing engineers' jobs were merged into one, and demarcation lines below this level began slowly to be fudged.

In still others, such as the large and high profile Harvester division, where a functional merger was resisted, the company experimented with bringing manufacturing engineers in at the start of the development process to sit at the designers' elbow for three days a week, and to approve drawings before these were sent off to the production department.

But none of these early solutions worked particularly well, even when, later in the 1980s they were combined with what has become known in western industry since 1985 as "parallel" or "simultaneous" engineering, in which different specialists work on several phases of the design and development cycle in parallel, rather than in the traditional sequence. John Gault, Deere's corporate director of engineering services, complains of "parallel tracks that hardly ever meet because of the lack of real integration and communication".

Under the pressures of a slump in US demand for agricultural equipment since 1985, plus unprecedented competition at home and abroad, "much more far-reaching" ways of overcoming departmental barriers are now being tried at Deere.

Two of the most far reaching are now vying with each other for adoption elsewhere in the group as different forms of what Gault calls "really integrated engineering".

The two test beds are contrasting divisions: construction equipment at Dubuque, eastern Iowa, which had no history of multi-functional teamwork until three years ago, but is now going great guns; and Harvester, near corporate headquarters in Moline, Illinois, which has been at it since 1984, much longer than most, but under a visionary engineering manager is still far from satisfied with its efforts.

The lessons which Dubuque has learned from the development of one of its latest products, the $38,000 (£21,839) yellow digger, are examined below. Harvester's experience, with plenty of trial and lots of error, culminating in last month's successful launch of an innovative new harvester, will be discussed next Monday.

Digger demolishes divisions

Christopher Lorenz on how teamwork has transformed product development at the pioneering US company

A yellow "backhoe" loader-digger which Deere & Co launched on the North American market a few months ago with the prosaic designation of "310D" may look and sound mundane. But it represents a great leap forward for the company, not just competitively against Case, Caterpillar, Britain's JCB, and its other rivals, but in terms of its organisation.

From a standing start three years ago this month the division which makes the digger has been transformed into one of the two or three units within Deere which have broken down departmental walls most effectively. In particular, it has brought product and manufacturing engineering much closer together and has shifted rapidly from tentative "simultaneous engineering" to what almost constitutes "integrated engineering".

Until September 1988, Deere's industrial equipment division, which, as well as backhoes, makes log skidders, crawler tractors and other less exotically-named construction and forestry machinery, was one of the most traditionally organised parts of the group. Its structure was entirely centralised and functional.

Then came recession, swingeing redundancies and a strike at the factory where backhoes are developed and made in Dubuque, Iowa.

Out of the crisis grew what management and labour at Dubuque called the "New Approach", in which strategies and information really are shared between management and employees. Decisions are also decentralised as far as possible in a structure based largely on individual product lines, in place of the previous functional organisation.

As part of an attempt to minimise the complexities of the previous organisational matrix, four-fifths of Dubuque's engineers have been shifted out of their functional departments into one of four almost self-contained businesses within the factory.

As one of the four, the backhoe unit has been turned into a model of cross-functional collaboration under Roger Bridges, a fast-talking production man turned "operations manager" (in effect, product manager). Backhoe design, manufacturing engineering, production, purchasing and accounting executives all report to him. Only product planning and marketing do not have full responsibility to him, although product planning is located on the same site.

Below Bridges, product and manufacturing engineering "do everything together", says Ted Breidenbach, a product engineer by training, who as division engineer for backhoes took on responsibility for both types of specialist after the reorganisation. "Before, we worked behind double glass doors a hundred yards apart and had to show our badges when we entered each others' territory." Now the two breeds share an open-plan office and the dividing line between their skills is growing fuzzy.

This near-merger has been backed up by Dubuque's rapid increase in the use of multi-functional simultaneous engineering (SE) teams within the backhoe unit, comprising product and manufacturing engineering, plus specialists from welding, tooling, purchasing, quality and so on. The team members remain constant throughout the development and initial manufacture of each product.

The new approach has achieved striking results:

- The 310D backhoe took only 18 months to develop, about half the time taken on a previous model.
- The factory takes only 10 hours to make each machine, instead of five days (this saves $1m a year in inventory costs).
- The 310D met its development and product cost targets. This is a big achievement. "Almost every development project that we've had here has been over-budget, and the product has had to be cost-reduced after going into production", says Breidenbach.
- The product's cost is 3.5 per cent below the previous model, despite having a host of new features, including a much better cab and, for the first time, a one-piece "mainframe", the base of the vehicle; this change was decided upon for marketing reasons, but not until a year before the end of the development cycle last year. "To develop that in one year, let alone at the original cost target, was almost unreal. It represented a massive change from our previous practice," says Breidenbach. "We couldn't have done this without our SE teams."

Contrasting these teams – which reach down several levels in the organisation – with the previous higher-level product development project team approach which Dubuque operated in the mid-1980s, Bridges says the latter was for the most part a mechanism for lightweight liaison across the old functional structure. "The project team enabled us to start accelerating development by improving communication and making sure the project stayed on schedule," he says.

"But it didn't do much for us in terms of the efficiency or quality of design, or the cost of those designs. Proper simultaneous engineering does this because of the full integration of the various disciplines into the process from the beginning of the project and right into production. This integration just wasn't possible under the old functional structure because of conflicts in reporting responsibilities, and in the priorities of team members."

Whereas some companies have limited their simultaneous engineering efforts just to product and manufacturing engineering, Bridges says: "We also realised that you really have to go beyond those two functions to influence all parts of the process, such as purchasing and various factory operations. There are many other inputs to the success or failure of a new product programme than just how it is designed and how the manufacturing engineering is done."

Unlike many companies, which have made design and product engineers the leaders of most of their SE teams – prolonging the divisive attitude that production people are "second class citizens" – Dubuque gave manufacturing engineers five out of the seven team leadership jobs within the backhoe project. To Bridges "the background of the team leader isn't important – it's the type of person that is".

As for the thorny question of whether different types of specialists in the new organisation really are prepared to share information with each other, Bridges underlines the importance of changes in the Deere-wide appraisal system, which no longer ranks people against each other but now rewards them for teamwork and performance against targets that include the service of internal "customers".

According to Gary Tindall, who worked alongside Breidenbach on the 310D project, and has particular responsibility for new products, "it's really personal relations that drive things here". None of Bridges' people sees the current situation as perfect, however. Breidenbach says that, even after the changes of the last three years, there are still too many engineers of various types serving two masters: a functional boss at headquarters level at Dubuque and, beneath it, Bridges or one of the other three business heads.

Under pressure, Bridges says he may also be prepared at some stage to consider emulating the Harvester division by setting up more of a self-contained "skunkworks" organisation for new products. But, he says: "We're pretty satisfied with our current set-up."

Previous articles on rapid product development appeared on June 28 and August 21.

Moving beyond "simultaneous engineering": (left to right) Roger Bridges, Gary Tindall and Ted Breidenbach

UK CORPORATE CALENDAR

UK COMPANIES

TODAY
COMPANY MEETINGS:
Dunton, 25 Copthall Avenue, E.C., 10.00
BOARD MEETINGS:
Finals:
Beaverco
Bristol Channel Ship Repairers
High Point
Intl. Resort
J. F. Pacific Warrant
Interims:
Allied Partnership
Baillie Gifford Tech.
Computer People
ERA

[illegible]

DIVIDEND & INTEREST PAYMENTS

TODAY
ABS Kent 7¾% Deb. 88/93 3.875pc.
Do. 6% Deb. 88/93 3pc.
Do. 8% Uns. Ln. 88/93 4pc.
API 3.85% Prf. 1.925p
Alexander & Alexander Services $hare.
[illegible]

[illegible]

FINANCIAL TIMES SURVEY

HIROSHIMA

Monday September 30 1991

■ New airport will end the relative isolation of the region Page 2

■ Ripples of the Tokyo securities scandals hit local exchange Page 4

The 1945 atom bomb attack made the city a universal peace symbol. Now, it is intent on becoming a high technology centre, while local officials are determined to deal with current economic challenges, such as a chronic labour shortage, writes Robert Thomson

In search of a broader role

THE REMINDERS [illegible] Hiroshima's tragic past are on display for all to see. Monu[illegible] [illegible] the victims of the atomic bomb blast 46 years ago are scattered through Peace Memorial Park, and [illegible] city has self-consciously named streets, buildings and festivals to emphasise its role as a centre for international peace.

While the city, and the prefecture of the same name, will always be associated with that terrible event, they are also [illegible] symbol of the future challenges facing regional Japan. [illegible] and [illegible] become a little uneasy with Hiroshima's role as a moss-gathering monument to peace, and sense that the region is falling under the long shadows cast by Osaka and Tokyo.

Local businesses are preoccupied by the need to secure a labour force and are contemplating investments in south-east Asia that would once have created new opportunities in Hiroshima. [illegible] a third of small retailers are unable to find a successor to lead their business into the next century, either because of the lack of an heir or a lack of interest among potential heirs.

Even its carefully cultivated image as a city of peace is undergoing renovation. [illegible] the years, the annual ceremonies and public statements [illegible] separate the Hiroshima bombing from the Pacific war, while nationalistic groups have used the August [illegible] further the myth that Japan was the "victim" and not the aggressor.

This year, for the first time, Mr Takashi Hiraoka, Hiroshima's mayor, told the annual gathering that Japan's wartime brutality in Asia and the Pacific must not be forgotten. That message is certain to be refined in the [illegible] few years, as Hiroshima will host the [illegible] Games in 1994, and is conscious that Japan's neighbours [illegible]nwilling to share in celebrating the "victim" myth.

Local people call Hiroshima the "ABC City". The "A" is for the atomic blast, "B" is for its status as a branch economy, as most government agencies and large companies have a branch in Hiroshima, and "C" is for the Hiroshima Carp, [illegible] loved but often beaten baseball team.

There is general agreement that due attention [illegible] paid to A, and the fortunes of C have improved this year, but local officials are determined to maintain the branch economy status. They [illegible]ar that the spreading influence of Osaka, to the east, and of Fukuoka, to the west, is lessening Hiroshima's economic importance, and that some of those government or company branches could close their doors.

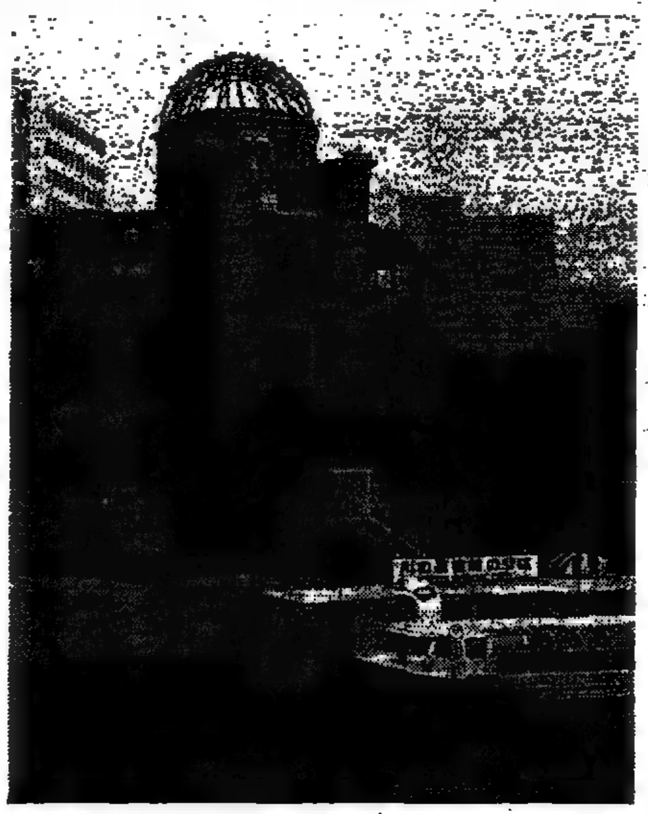
The city had hoped to benefit from the redistribution of government departments that was to accompany the decentralisation of Tokyo, the capital. But the gains have come slowly. After a decade of debate, the central bureaucracy has seen fit only to grant Hiroshima a 37-person department researching the fermentation of sake, Japan's rice alcohol.

Having won this small concession from the bureaucrats in Tokyo, Hiroshima officials recognise that they are responsible for renovating the economy and retooling an industrial base that has been in relative decline against the rest of the country since the oil shock of the early 1970s. Hiroshima has been dependent on steel production and shipbuilding, and the local economy continues to rely heavily on Mazda Motor, the car maker.

Mazda's output amounts to 17 per cent of all production in the prefecture, and 25 per cent if suppliers are included. But there is concern that the flow of Mazda money to the local economy will be increasingly diverted to plants in other prefectures and countries, as the difficulty of finding labour and the rising cost of production in Japan are good reasons [illegible] building factories elsewhere.

Currents [illegible] flow of human resources are also [illegible] source of concern. A prefectural study found that 53 per cent of Hiroshima young people studying [illegible] universities outside the prefecture, whether it be in Tokyo or another city, do not return to Hiroshima. In response, the government [illegible] established an office to encourage what is called the U-turn, the return of qualified young people to Hiroshima.

Tokyo's bright lights continue to lure young people from most other areas of Japan, [illegible]ugh [illegible] vulnerable because it has been slow to develop an informa[illegible] sector that would offer graduates a greater variety of jobs and would contribute to revit[illegible] the area's image [illegible] a heavy industrial centre.



The Atomic Bomb Dome in Hiroshima's Peace Park

It is [illegible] argu[illegible] [illegible] a sophisticated information industry would ensure that [illegible] companies are [illegible] equipped to compete in the national market, [illegible] encourage outside companies to use Hiroshima's services.

There is a push to develop the computer software industry and [illegible] campaign to make Hiroshima a "[illegible] centre", though the latter, like the vaguely-d[illegible] "design services", [illegible] fashionable goal among regional Japanese cities in recent years and competition is tough.

Slowing the momentum of Tokyo's growth as an information centre will not be easy, as the capital is reckoned to have 77.5 per cent of researchers, and 51.1 per cent of total workers in the information industry — Hiroshima is estimated to have a mere 1.2 per cent of those workers.

The strength of Tokyo has prompted Hiroshima and the three other cities considered to be "branch economies", Sapporo and Sendai in the north, and Fukuoka, to consider a joint effort to win a greater share of central government functions and [illegible]. Representatives from the four centres met in Hiroshima in July, but there remain problems of balancing deeply-rooted local loyalties and the desire for a broader campaign for a redistribution of central influ[illegible]

Professor Shoichi Yamashita, of Hiroshima University's economics faculty, says the get-together [illegible] important because it showed that the four centres shared an awareness of the need for action: "There has been so much talk about decentralisation, but the fact is that the reverse is true. We are con[illegible] to see [illegible]tion of functions in Tokyo, and companies have to go there for information."

The prefecture has been pushing ahead [illegible] the development of infrastructure [illegible] ensure that physically, at least, it remains the centre of the regional transport network. A new airport is due to open in December 1993, and if the pre[illegible] gets its way, will [illegible] a runway of 3,000 metres, [illegible]ing it the equal fourth largest in the country and capable of handling a larger range of international flights. Tokyo officials would like to limit the runway to 2,500 [illegible]

Takeshita: "terrible damage"

Hiraoka: brutal reminder

Congestion at Tokyo's [illegible]national airport and delays in the construction of a new airport [illegible] provided opportuni[illegible] for regional areas [illegible] establish international air routes. A service between Seoul, the South Korean capital, and Hiroshima was launched in [illegible], and it is [illegible] will be an expansion of routes to south-east Asia countries, which have struggled [illegible] landing slots in Tokyo.

Hosting the Asian Games will also broaden the area's ties with other Asian countries. Hiroshima University is keen to attract students from other countries in the region.

Having worked to become "international", Hiroshima is sensitive about foreign reaction to the spate of Japanese financial scandals. While the focus has generally been on Tokyo-based companies and the Tokyo stock exchange, there is disappointment that the stain has damaged the reputation of the country.

Mr Toranosuke Takeshita, the governor, says the scandals have done "terrible damage to our reputation", and have pulled domestic political debate away from proposed political reforms, which would lead to a literal redrawing of the political map by creating smaller, single-seat constituencies for the national parliament.

He believes that restoring the reputation for fairness of Japan's financial industry should be a priority because trading partners may use the scandals as an excuse to block access to Hiroshima-made [illegible] a lot of foreign customers. About 22 per cent of our total production is exported."

The scandals also heightened the sense of injustice among smaller Japanese companies, which presumed that larger companies received more favourable financial treatment, but which have now had the hard evidence of this favouritism revealed at great length. It was a point of pride in Hiroshima that Mazda Motor was [illegible] on the [illegible] names compensated by leading brokerages for their trading losses.

Small companies are all the more annoyed because of a perception [illegible] they [illegible] an unfair financial burden arising from the excesses of larger companies, which used cheaply-raised funds to play the stock markets. The Bank of [illegible]apan pushed official discount rates higher to slow this speculation and to ease inflationary pressures arising from an over-heated economy. A result of higher interest rates and of banks' concerns about their capital adequacy levels has [illegible] smaller companies are paying more for funds that are more difficult to obtain.

IN THIS SURVEY

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Mr Osamu Hashiguchi, president of Hiroshima Bank and chairman of the Regional Banks' Association of Japan, says that "now is a tough time for all banks and we are trimming bonuses and salaries". But he emphasises that the economy is "generally strong", in Hiroshima and nationally. Economic growth for this year is estimated at between [illegible] and 3.8 per cent, down from the 5.9 per cent of last year.

As for the [illegible] of Hiroshima's ABC, the mayor, Mr Hiraoka, is hoping that his speech recognising [illegible] will be [illegible] step on the way to [illegible] broader consideration of the atomic bomb and to the word "peace", much used as it is in the region.

"We decided in 1949 to make Hiroshima an international peace city. Now, we are studying that role," Mr Hiraoka says. His comments on August 6, expressing regret for Japanese aggression, took courage, as extreme right-wing groups have reacted violently against officials denigrating the military's wartime role and, in particular, highlighting the responsibility of Emperor Hirohito.

Mayor Hiraoka's comments were an indication of Hiroshima's development as a genuinely international city, conscious not only of injuries suffered, but also of injuries inflicted. It also reflected a more general willingness to transform a sometimes narrow view of the past into a broader vision of Hiroshima's role within Japan and in Asia.

HIROSHIMA 2

Steven Butler sees a new airport take shape

Better links on way

ON TOP of the rugged mountains 50 kilometres to the north-east of Hiroshima city, dozens of giant trucks and excavators are busy at work reshaping the earth. For the past two years, in a scene [illegible] Stalinesque proportions, they have been steadily chopping down the pine forests and bamboo groves that once covered the hills, hacking off the tops of the mountains and filling in the valleys.

In another year, the job of levelling will be done and concrete will be poured in. By the end of 1993 Hiroshima's new airport will be open for business. It is an event that seems certain to transform Hiroshima because it will end the relative isolation of the region. Combined with extensive road building and completion of the city's mass transit line, a significant restraint to regional development will be lifted.

Although it is a famous place – mainly for having been destroyed by an atomic bomb at the close of the Second World War – Hiroshima is hard to get to from outside Japan. It has an inadequate airport – a single landing strip, with no parallel taxiway, 1,800 metres long and 150 metres wide. It is barely large enough to handle the A-300s and Boeing 763s that land there now, and even this is impossible when the weather deteriorates. Only international flights from nearby destinations [illegible] Seoul [illegible] possible.

A traveller from the US must pass through highly congested Narita Airport, [illegible] Tokyo from a distance, [illegible] take the train to Hiroshima, or transfer to Haneda Airport for an internal flight. Osaka, however, has no connecting flights, forcing passengers to complete their travels by a rail journey of several hours.

The new airport will [illegible] many, and perhaps all, of these problems. The go-ahead has been given for a 2,500 metre runway at the airport, and [illegible] high [illegible] approval will be forthcoming from the Ministry of Transportation, which will own and operate the airport, to extend this to 3,000 metres. This would allow landings by long-range aircraft from the US, Europe or Singapore.

Given local traffic demands and [illegible] congestion at Tokyo and [illegible] in international traffic, Hiroshima could become an important regional hub. Strong interest has already been shown by international carriers. This would give Hiroshima the opportunity to expand on its already considerable international business ties which have been built principally through Mazda, with its link with Ford Motors, and Mitsubishi Heavy Industries.

The airport is being built at a total cost of Y72bn (about £310m), including an estimated Y5bn for land purchases. The land acquisition cost is amazingly cheap for Japan, a result of having decided to build in an undeveloped mountain area, although airport officials admit there were a few "problems" convincing some local residents to vacate the land.

The airport has also not been without controversy. Aeroport de Paris lodged a complaint after its bid to design the terminal was rejected in favour of consortium that included Hirata Matsuda Design, Create Yamanote Design, and Austin Company, a US company. The French company complained that the procedure by which the winner [illegible] selected was unclear. It suspects a combination of US political [illegible] favouritism [illegible] participants, [illegible] the [illegible] unfairly [illegible] from it.

Bids for building [illegible] terminal, expected to cost between Y10bn and Y12bn, will be due in March or April next year, and will be open to international companies. Eventually, there will be more construction. Far more land was procured at the site than will be used by the airport proper. A hotel and leisure complex will be built and, it goes without saying, a golf course.

The new airport will be less than an hour from Hiroshima central by car, or by a combination of train and shuttle bus. Although the downtown airport is slated for closure, pressure is building up to keep it at least for shuttle flights to Tokyo. By the time the new airport is open, getting around the city itself should be a lot easier since the mass transit system currently under construction will be finished.

Traffic on the streets of Hiroshima is not too congested by Japanese standards for most of the day. The crunch [illegible] during the morning and evening rush hour. Over the years as [illegible] city has grown, residents have moved increasingly to suburban areas which tend to lie in valleys [illegible] the hills that surround the city. As a result, traffic is channelled into passes that create frightful bottlenecks during the rush hour.

The answer has been to build an 18.4km elevated light railway system, above a newly constructed highway, from the city centre in a broad semi-circle into one of the principal suburban areas. Plans for the line were extended to the athletic stadium for the Asian Games. Proposals are under consideration to complete the line into a circle, and to build other extensions and feeder routes.

Downtown, parts of the line will be underground. The line is being built at a cost of Y130bn, two-thirds of which is supplied by the central government. Prising money out of the central government for projects like this has become easier, says Mr Takeshi Komegami, a section chief in charge of urban transportation at the Hiroshima Prefecture construction bureau, following the US-Japan structural impediments talks.

Japan agreed at the talks to boost domestic demand by spending more money on public works projects. This has allowed money to be spent more quickly, and has sped up construction on certain parts of the line. It will not, however, result in an earlier completion of the line, as some parts of the construction timetable are not easily changed.

When the line is completed, Hiroshima will have to decide what to do with its antiquated streetcar system. Hiroshima has become something of a depository for old streetcars when other cities in Japan, and overseas, pave over the tracks to make way for faster buses and cars. The streetcars are slow, and can create traffic jams at intersections. On the other hand, they are very cheap to operate and they are clean. And it would be difficult to justify building a more intensive mass transit system unless traffic volumes grow beyond all current expectations.

RETAILING

The last picture shows

[illegible] generation [illegible] a theatre-owning family, [illegible] Tsuji [illegible] his conversation with appropriate theatric gestures. These emphasise his opposition to US-inspired changes in Japanese laws that will speed approval for the development of new shopping complexes.

Mr Tsuji's Toyoza cinema is perched above a department store in downtown Hiroshima, but he fears that filmgoers, as well as shoppers, will be lured away to planned shopping centres on the fringe of the city. "The small stores near these new centres will benefit, but the retailers here will suffer."

The change in retail development laws was a result of the Structural Impediments Initiative (SII), [illegible] Japan's [illegible] trade surplus by removing "structural" obstacles [illegible] imports. [illegible] by [illegible] a convoluted distribution system and the protection of small retailers against new, large stores which, the US presumed, would have more shelf space for foreign products.

In the past, approval for new complexes has taken a decade or more, and many planned developments were scrapped after failing to reach a compromise with existing retailers. Small retailers are a formidable lobby group in Japan, and had warned the ruling Liberal Democratic Party (LDP) that they would shift their support to opposition parties if reforms were introduced.

After making clear that small retailers would be compensated, the parliament last May passed the Large-Scale Retail Store Law, which forced local authorities to act on development plans within a year. Controversy has already [illegible] by [illegible] plans of Toys R Us, [illegible] US toy [illegible] chain, open complexes in [illegible] Japan.

[illegible] retailers are [illegible] waiting [illegible] a symbolic fight against a foreign retailer or an out-of-town Japanese company [illegible] to move in [illegible] their territory. [illegible] complexes already on the drawing [illegible] have been [illegible] for [illegible] to a decade, and are being developed by local department store chains which are conscious of the need to keep small retailers happy.

But Mr Tsuji and other small shopkeepers [illegible] plex called Alpark on the outskirts of the city could be the beginning of the end for downtown retailers. Alpark has two large retailers, Hiroden and Tenmaya, 180 speciality stores, and a few crowd-drawing gimmicks, including [illegible] clever Acqua Avenue, a cave-like aquarium that leads [illegible] into the complex.

Alpark [illegible] opened [illegible] spread of [illegible] not [illegible] according to [illegible] large [illegible] plans. Their [illegible] were 10-15 per [illegible] below expectations, [illegible] retailers, [illegible] were [illegible] 40 per [illegible] expected.

[illegible] Sugayuki Ishizaki, Hiro[illegible] of planning, [illegible] store's difficulties have [illegible] heightened by a 30 [illegible] increase in [illegible] for

The amusement arcade in the Alpark shopping complex

part-time staff, a result of Japan's labour shortage, [illegible] by higher interest rates: "When [illegible] started planning [illegible] were at [illegible] per cent, [illegible] they [illegible] 7 per cent."

Tokyo [illegible] "encourage" small retailers, who [illegible] compensation [illegible] legislation. [illegible] renovation [illegible] pavements, the improvement [illegible] shopping arcades, [illegible] in the funding of [illegible] designed to [illegible] small retailers.

A street festival organised by [illegible] Alpark received Y500,000 in government assistance, [illegible] part coming from [illegible] and part from the central government [illegible]. The [illegible] went to hire an "idol", a reputedly [illegible] pop singer, and a rock band with "beautiful girls", [illegible] publicity [illegible].

According to a store owner in the area, the festival was a success, but the time taken up in paperwork for government financial assistance was cumbersome. "The spectators at [illegible] festival bought a lot [illegible]. We had different kinds [illegible] it helped [illegible] reputation." But he [illegible] unsatisfied, claiming that Alpark has resulted in a 20-30 per cent fall in sales among the group.

"I don't like the look of the future. In five years' time, the small retailers could be eaten by the big. We have an important role in people's daily life. We are convenient suppliers of daily items and [illegible] play an important role in keeping neighbourhoods [illegible] keeping an eye on who is passing by." [illegible]

Another serious threat to small retailers [illegible] the [illegible] of [illegible] keep family businesses alive. Mr Minoru [illegible], managing director of the Hiroshima Small Shopkeepers' Association, [illegible] that a third of all small family businesses could fold [illegible] proprietors' children [illegible] not interested in carrying on the tradition.

He says that potential successors are [illegible] of dirty and [illegible] work, and would prefer an office job or, perhaps, to [illegible] to Osaka [illegible] Tokyo. The labour shortage has given young Japanese more job options, and there is no longer the same sense of obligation to continue the running of a family business.

Mr Tsuji of the Toyoza cinema has that problem. He is likely to be the last of his line to run theatres. He has no male heirs, and he thinks that the business "[illegible] difficult" for [illegible] daughters [illegible] run. His family originally operated kabuki theatres, and by the 1940s, controlled [illegible] cinemas. [illegible] only one remains, and that is supported by the land rent paid by the department store downstairs.

"It's very sad to see old family businesses falling into disrepair. Couples in their 70s and 80s don't have the energy to maintain their shops and they are not looking to the future, so they don't invest money in renovating rundown stores. They are just concerned about making enough to survive."

Robert Thomson

POLITICS

Prospects for reform

MR Hiroshi Oyama is a politician who has a right to speak with self-confidence. Aged 72, he has been in politics for 50 years and has been head of the local prefectural organisation of the ruling Liberal Democratic Party for 40. "We worked very hard," is his understated response to why the LDP did so well in the last election.

There was clearly more to it than that. In local elections in April the Hiroshima Prefecture LDP trounced the opposition as never before. Out of 69 seats in the prefectural assembly, Mr Oyama's party won 48. This was in part [illegible] the "disappointing" [illegible] four years previously, [illegible] LDP [illegible] under [illegible] because of popular [illegible] to the (then proposed and now enacted) consumption tax.

At [illegible] time [illegible] LDP took only 40 seats in Hiroshima. Japanese politicians, it would [illegible] success by a [illegible] rest. In the security of his position Mr Oyama [illegible] by some [illegible] the key political debates [illegible] the day.

"Every party understands that political reform [illegible] necessary," [illegible] referring to efforts by the LDP national [illegible] to reform [illegible] election system. "The major issue is [illegible] to have politics without money."

However, Mr Oyama [illegible] sending gifts [illegible] at important [illegible] is a long-ingrained [illegible] that will not end just by instituting a small, single member district system for [illegible] replace Japan's single vote, multiple member [illegible].

Mr Toshihiro [illegible], secretary-general [illegible] Hiroshima [illegible] Japan Socialist Party, [illegible] main opposition party, gets [illegible] prospects for political reform. [illegible] "They ([illegible] ruling party) were supposed to resolve the problem of politics and money, but they did not resolve it and instead are talking about political reform.

"We are concerned that the LDP is trying to use the issue of reform to monopolise the Japanese political system."

Mr Kanbara and his colleagues worry that under a single member district system, the JSP would lose many of the seats it now wins when its candidates come in third, or even fourth, in elections for the national diet. They have enough trouble keeping the JSP's head above water as it is.

Compared to the LDP's local comeback in prefectural elec[illegible] this year, the JSP's seat total declined from a paltry 10 to a mere eight.

The JSP secretary-general blames the result in part on the ruling party's superior access to money. He says the prefectural branch has a special role to play in Hiroshima as the party of peace. It is thus a local party with a foreign policy – to keep alive the memory of the atom bomb and to oppose testing of nuclear weapons.

Mr Kanbara wants Hiroshima to be declared a nuclear-free zone. He is convinced that the people of the prefecture support this, even if they do not vote that way.

Steven Butler

هكذا عن الأهل

HIROSHIMA 3

AGRICULTURE

Shadow over the rice fields

Nabuo Nagao, a rice and hroom farmer who lives to west of Hiroshima city, almost a third of his me from a local govern- t job. But what is unusual w much, rather than how Mr Nagao is dependent is land.

ore than other Japanese ing district, Hiroshima cture, which also takes in surrounding countryside, seen a steady reduction in culture as a proportion of l incomes.

ly 6,000 of the 100,000 ers there depend on agri- re alone, while, on aver- only 7 per cent of farmers' mes derive from farming. compares with the nal average of 18 per cent is the lowest proportion of prefecture in Japan.

t despite this, the numer- challenges which are con- ting Japanese agriculture, the demographics of an ng population to market alisation, are of real con- to the people and govern- t of the prefecture.

most one-seventh of its lation lives in rural areas, le agricultural income unts to about Y140bn n) per year.

When we compare our- es with other prefectures situation is not so diffi- " says Mr Michihiro Nakai, tor of agricultural policy arch in the prefectural gov- nent. "But there is still an rtant need for restructur- nd it is an emotive issue."

e most sensitive aspect of ucturing is the opening of n's inefficient and highly ected agricultural markets reign products. In particu- the government in Tokyo ars to be on the verge of allowing imports of rice, by far the most controversial element of agricultural liberalisation.

Resistance to the move has been strong. Farmers and local politicians regard the rumoured 5 [redacted] opening [redacted] market [redacted] the beginning [redacted] a slippery [redacted] which will [redacted] to [redacted] market [redacted] for foreigners. In [redacted] their [redacted] they present an array [redacted] arguments ranging from food security to the importance of rice farming in Japanese traditional culture.

But [redacted] many [redacted] is [redacted] that [redacted] opening [redacted] inevitable. "My heart [redacted] liberalisation," [redacted] Mr [redacted] "But when [redacted] world and you [redacted] Japanese situation, I believe that we cannot avoid it."

The task now, both for farmers and local government officials, is to prepare for a more competitive environment. This means diversifying into new products and increasing the efficiency of local production.

Rice is still the [redacted] agricultural product in the prefecture: 32,000 of the area's 70,000 hectares of farming land are paddy fields. Income from rice amounts to Y52bn, compared with Y14bn for fruit and Y18bn for vegetables.

To reduce the dominance of rice production and to encourage agricultural diversification,

Farmer Nagao: "Unavoidable"

[redacted] government [redacted] urging farmers [redacted] convert [redacted] their [redacted] prod- [redacted] according [redacted] the farmers' union in Hiroshima, [redacted] paddy [redacted] have [redacted] con- [redacted] at the prefectural [redacted] and orchids, to aubergines and grapefruit, are [redacted] being grown in [redacted]

But the [redacted] Changing the [redacted] is difficult in [redacted] country [redacted] is further complicated by [redacted] patterns in Japanese agriculture. Rice-farming [redacted] regarded [redacted] important [redacted] maintaining Shuraku – groups of households which form farming co- [redacted] particularly [redacted] remote areas of the prefecture.

Moreover, [redacted] argue that [redacted] [redacted] of land which [redacted] be converted. "It [redacted] so [redacted] change [redacted] farming [redacted] uses," says [redacted] the [redacted] tral Hiroshima's Farmers' Union. [redacted] compensation [redacted] by [redacted] ernment – [redacted] Y15,000 [redacted] for every 100 square metres converted – is inadequate.

The government is also trying to increase the efficiency of existing production. Low interest loans are available to buy land and farm machinery. Currently, the average farm size in Hiroshima is a mere 0.73 hectares – a fiftieth of the size of the average British farm and little more than the size of a backyard in US and Australian counterparts.

Again rural government officials report progress. But the price of real estate and the reluctance of members of the rural community [redacted] part [redacted] land [redacted] been passed down through several generations is limiting the suc- [redacted] policy.

The underlying problem [redacted] teaching [redacted] to old farmers. Young Japanese [redacted] country- [redacted] more [redacted] jobs [redacted] city. Mr Nagao's [redacted] – [redacted] typical example – [redacted] and puts [redacted] only two or three days' [redacted] year.

So, just [redacted] international [redacted] for [redacted] opening [redacted] Japan's agricultural [redacted] create an imperative for reform, [redacted] Hiroshima, [redacted] Japan, [redacted] changes which [redacted] already [redacted] are making the [redacted] restructuring hard to achieve.

John Ridding

John Ridding profiles the city's biggest employer

Mazda in the fast lane

WHEN A [redacted] car pulled past its [redacted] Jaguar rivals to take the chequered flag in the 24-hour Le Mans race earlier this year, there were [redacted] cheers [redacted] ple of [redacted]

The company, [redacted] country's fourth largest [redacted] ufacturer, is by some [redacted] the city's largest employer. [redacted] victory – the first by [redacted] Japanese car make[redacted] – prompted celebrations well beyond its giant dockside headquarters.

The celebrations bear testament to Mazda's close relationship with the city. The company represents about 17 per cent of industrial production in Hiroshima prefecture, and 25 [redacted] cent if [redacted] suppliers [redacted] included. The success [redacted] shima and its environs [redacted] up [redacted] of its car [redacted]

Off [redacted] race track, [redacted] is not [redacted] Japanese [redacted] manufacturers. Mazda is currently facing [redacted] a fall in profits [redacted] four [redacted] of impressive [redacted]

The [redacted] the [redacted] mar- [redacted] cooling [redacted] the Japa- [redacted] consumer boom. But [redacted] coping [redacted] of [redacted] Japanese, [redacted] virtually [redacted] of [redacted] international, competitors [redacted] responding [redacted] more [redacted] Its business strategy should position it well for the next stage of expansion.

[redacted] company's [redacted] egy [redacted] move [redacted] products upmarket. With [redacted] new models, as [redacted] Le Mans, [redacted] closing the [redacted] on [redacted] top European and [redacted] producers. Although [redacted] are not yet the equal of top-of-the-range [redacted] they are looming [redacted] larger in rivals' rear view mirrors.

The policy [redacted] moving upmarket, [redacted] in the styl- [redacted] new [redacted] model, [redacted] been prompted by [redacted] the [redacted] hand, the company [redacted] aiming [redacted] accommodate [redacted] they gradu- [redacted] entry-level and low [redacted] time, [redacted] and competition from cheaper producers [redacted] seas has encouraged a [redacted] to higher [redacted] and [redacted] profit margins.

[redacted] vehicles, which will [redacted] step [redacted] with [redacted] unveiling [redacted] the Tokyo [redacted] next month, is only [redacted] part [redacted] three-pronged strategy.

[redacted] to exploit [redacted] advantages which [redacted] to giants like GM [redacted] Toyota," [redacted] one [redacted] "In particular, [redacted] us to [redacted] exploit various [redacted] in the industry."

[redacted] the Miata, [redacted] two-seater [redacted] sports [redacted] which [redacted] introduced [redacted] the end of last year. The MPV, something between a jeep and [redacted] van, has also been [redacted] success.

The development of [redacted] vehicles has been made possi- [redacted] by [redacted] in [redacted] Mazda makes decisions on new products. In 1987 the power to d[redacted] which cars to launch was shifted from the relatively conservative marketing department to the company's product planning department.

In [redacted] this involved a shift in philosophy from introducing vehicles which satisfied existing consumer demands to those which [redacted] and [redacted] new [redacted] "The change

A shift from vehicles which [redacted]sfy existing consumer demands to those which shape and create new [redacted]stes

is what lies behind the Miata and the MPV," says one company official. "Without it they probably wouldn't have been launched."

[redacted] company [redacted] Mazda cannot live on niches alone. Most [redacted] the cars which roll off the Hiroshima production line at [redacted] rate of one every 54 seconds are still the 121s, 323s, and 626s which the [redacted] its "bread and butter". Maintaining such [redacted] solid base of mai[redacted] vehicles is the third prong of the company's design and production strategies.

There [redacted] thinking on the company's approach to marketing. Mazda now has five sales channels, each aimed at a segment of its customer base. They are designed to replace Japan's traditional door-to-door sales system through the installation of attractive showrooms.

The success of the new policies is not immediately apparent in the statistics. Mazda's production and domestic sales are down slightly in the first six months of this year, and profits are forecast to fall from Y49.1bn to Y35bn for fiscal 1992 as a whole.

But the decline in sales is an industry-wide phenomenon, [redacted] other manufacturers worse affected, [redacted] is expected to reverse towards the end of this year. The decline in profits is attributable to the increase in depreciation costs resulting from ambitious capital expenditure [redacted] the [redacted] few [redacted]

Nonetheless, there are lon- [redacted] term, more substantial problems [redacted] Mazda and the rest of the Japanese motor industry. An [redacted] labour shortage [redacted] making it harder to recruit the workers and engineers which Mazda needs and [redacted] forcing employment [redacted] upwards. As the company has to offer higher salaries to new recruits, so it [redacted] to adjust the [redacted] of previously employed workers.

[redacted] company's traditional [redacted] been [redacted] But [redacted] tour [redacted] even the oldest production [redacted] Hiroshima [redacted] be little more [redacted] be [redacted] from the introduction [redacted] more [redacted] So now [redacted] solution [redacted] seen partly in new production sites.

One of [redacted] is the company's factory in the neighbouring Yamaguchi prefecture. The decision [redacted] extend production facilities there reflected, [redacted] other things, the greater availability [redacted] labour.

A [redacted] problem, common [redacted] other Japanese carmakers, is [redacted] of protectionist sentiment [redacted] overseas markets. The big three US producers have accused Mazda of dumping mini-vans and are wary of the expanding share of Japanese cars at a time when the overall market is shrinking. The EC will maintain tough restrictions on Japanese car imports after 1992.

To circumvent such disputes, Mazda's policy has been to localise production. Its factory in Flat Rock, Michigan, produces 184,000 vehicles a year and satisfies most of the US demand for the 626, Mazda's best-selling car in that market. Mazda is also negotiating with Ford, which holds almost 25 per cent of its shares, to set up a factory in Europe.

Relocation of production, both in and outside Japan, seems to imply a weakening of Mazda's ties with its traditional base in Hiroshima. But company officials try to refute that. "This will always be our most important production site," says a company official. "We built more than 1.2m vehicles here last year."

For a long time to come, therefore, the loudest applause for a Mazda race victory is likely to be heard in Hiroshima port.

HIGH TECHNOLOGY

A change of gears

OSHIMA PREFECTURE, re the economy has for s been dominated by the building and automobile stries, is making a success- bid to induce high-value ed, high technology light stries.

his change of gears is a ict of necessity as much nything else. Hiroshima s the expanses of flat land led for the development of large-scale metal bashing ssembly plants. And the lation is concentrated to a t that highly-polluting mical industries have here to expand. Fresh er supply for industry is potential problem.

he transition has been a dual one. Sharp, the Osaka- ed company, was one of the t major electronics compa- s to set up in the area in [redacted] with [redacted] headquarters. By 1988 electronics had become the fifth largest industry, displacing the chemi- [redacted] industry, and falling [redacted] line [redacted] transportation machinery, steel, general machinery and [redacted]

The government [redacted] acted to speed [redacted] In the midst of farmland on the [redacted] City [redacted] 20-hectare tract of land has [redacted] and [redacted] ready for the builders. Though Hiro- [redacted] science park is still empty, nearly all the plots of land have been taken. In a few years it will be [redacted] hive of activity.

Not all the future occupants of the park fill [redacted] image of high technology companies. In [redacted] example, [redacted] Tax [redacted] Brewing Laboratory from the national government, which [redacted] alcoholic bever- [redacted] will move from several locations scattered around Tokyo [redacted] single [redacted] the Hiroshima park. [redacted] is part of a drive to reduce the concentration of government services in Tokyo. And locating in Hiroshima makes sense because of a large and famous local sake industry.

The big "catch" for the science park is Matsushita Electric. Matsushita, the largest consumer electronics company [redacted] world, will set up [redacted] research facility, [redacted] opened [redacted] into [redacted] use of computers in home appliances. Other occu- [redacted]ts for the [redacted]k will include the Technology [redacted]ch Institute [redacted] Chugoku Electric Power, [redacted] regional electricity utility, and [redacted] joint public-private venture called Techno Plaza, aimed at providing space for small and medium-sized high tech companies.

Outside the park, Dai Nippon Printing, Japan's largest printing company, last year decided to build a plant in Hiroshima to produce large-scale television projection display screens. In 1990 NEC, the world's largest semiconductor manufacturer, established a facility for large-scale integrated circuits.

It would be wrong to suggest that Hiroshima is about to take the lead in the Japanese electronics industry or that this has become a dominant force in the economy. In the last five years, 20 electronics and precision machinery companies [redacted] set up shop, compared [redacted] 70 metallurgical [redacted] nies and [redacted] general machinery companies. However, a [redacted] new industry [redacted] Hiroshima [redacted] and local [redacted] promote [redacted] strengths.

These, they argue, [redacted] relatively cheap land, an improving transportation system, and proximity [redacted] quality university. The campus of [redacted] University [redacted] moving gradually to a greenfield site out [redacted] city [redacted] in [redacted] Hiroshima, [redacted] park.

The natural environment [redacted] Hiroshima are vastly superior [redacted] Tokyo. Persuading [redacted] people [redacted] the virtues [redacted] living [redacted] provincial city [redacted] an important key [redacted] solving [redacted] problem that is as severe in Hiroshima [redacted] anywhere else in Japan: the shortage [redacted] labour.

Steven Butler

Tokyo's scandals hit local stock exchange

A loss of confidence

MOST of the [illegible] in Japan's securities scandals [illegible] been in Tokyo, but regional financial institutions [illegible] concerned that their customers may have developed doubts about the fairness of the financial system.

At the Hiroshima Stock Exchange, trading volume has been almost 40 per cent lower than last year. Local banks such as the Hiroshima-Sogo Bank, have felt the anger of their small and medium-sized corporate customers, who have not been given the favoured treatment accorded to leading industrial corporations by Japanese brokerages.

Mr Koojiro Shinohara, chairman of the Hiroshima-Sogo Bank, says that the scandals are a "terrible thing", and that he feels uncomfortable to be "a member of the same financial world". He suggests that "foreigners must think our system is very strange".

Smaller banks are under similar financial pressures to larger Japanese banks, which have slowed asset growth as part of their attempts to meet international capital adequacy standards and have seen the value of their substantial stock holdings eroded by the fall in the Tokyo market.

Mr Shinohara says that Hiroshima-Sogo's asset growth has been closely checked over the past year and conditions are still difficult: "We emphasise the quality of growth and not the quantity. Our clients are smaller, local companies and we are attempting to ensure our future by targeting the next generation of Hiroshima investors and educating them about our bank's services."

Cultivating customer loyalty has become a priority for local banks with the onset of Japanese interest rate deregulation, which is due to be completed in 1994, and is expected to give the large commercial banks an advantage over their smaller regional competitors.

Mr Osamu Hashiguchi, president of Hiroshima Bank and chairman of the Regional Banks' Association of Japan, says that his institution is "confident that it can compete". He hopes that financial reform will include permission for banks to enter the securities business, a proposal now under consideration by the [illegible] government.

"We [illegible] in Hiroshima prefecture, which the big Tokyo banks cannot [illegible] should be able to cope with any challenge," [illegible] Mr Hashiguchi, who is a former chairman of Japan's Fair Trade Commission, the Tokyo-based anti-monopoly body, [illegible] is currently chairman of the Hiroshima Chamber of Commerce and Industry.

A sharp fall in land [illegible] is one challenge that Japanese banks would not welcome. Prices in Tokyo [illegible] Osaka, [illegible] largest cities, have [illegible] uneven, with a 20 [illegible] fall in condominium prices in some areas, and concerns that commercial prices will turn down.

Mr Hashiguchi says that land price instability is "basically a problem for the metropolitan areas", and that the Hiroshima property market has been helped by the anticipated rush of development works in advance of the 1994 Asian Games.

The Bank of Japan and the Ministry of Finance have directed banks to limit their exposure to the property market and to be cautious in the use of stocks as collateral. Such central directives are delivered at the local level through contact, for example, between Hiroshima branch officials of the central bank and executives at Hiroshima-Sogo.

Mr Shinohara says that his bank has "a close relationship" with the Bank of Japan, and prepares a planning report every six months and "receives guidance" from central bank officials. The securities scandal has raised questions about the use of administrative guidance in Japan, and the finance ministry has accepted that the system needs to be made more transparent.

The Bank of Japan announced in late June that it would no longer issue quarterly targets for bank lending growth, ending what is known as "window guidance". Mr Shinohara points out that window guidance has never been very strict, and that the central bank generally had confidence in the level of financial discipline of local banks.

Financial discipline in the securities industry is a different question. Mr Shinohara [illegible] that his [illegible] clients, mostly smaller [illegible] medium-[illegible] companies, have generally not played [illegible] market as [illegible] raising finance, [illegible] larger industrial companies: "Stock speculation was part of a period of unreal growth and created a bubble economy."

The Bank of Japan attempted to squeeze air out of that "bubble" by lifting official interest rates, which has put pressure on highly-geared speculative companies and taken some heat from the stock market. [illegible] Exchange officials [illegible] felt [illegible] difference, [illegible] though their exchange [illegible] Japan's [illegible] by trading volume.

Apart from the main Tokyo exchange, there are seven Japanese exchanges, with the smaller institutions, such as Hiroshima, offering a few locally-listed stocks and the opportunity to [illegible] on [illegible] larger exchanges. [illegible] handles 196 stocks, of which 187 are listed elsewhere and nine are unique to the exchange.

Mr Hirosuke Shiji, Hiroshima's director of listings, has a deep sense of regional responsibility: "Our mission is to assist local companies. We can contribute to the revitalisation of the area by helping companies to raise funds."

The Hiroshima exchange traces its history back to 1755 and a dealing house for rice and cotton. Later this year, the exchange is scheduled to move into a new, Y800m building that will provide higher technology links to the main exchanges and a large library for local clients.

Exchange officials are hoping to encourage more local companies to list, and a recent survey found about 70 were interested. But there are now concerns that some of those companies and some of the potential investors will be scared away by the scandals in Tokyo.

Mr Shiji says that the most obvious effect of the [illegible] in [illegible] trading volume: "The number of buy and sell orders has greatly decreased. Generally speaking, ordinary customers have lost confidence.

Robert Thomson

John Ridding on the growing tourist industry

Draw of the games

EVERY year more [illegible] than live in Australia travel to Hiroshima prefecture for sightseeing and other tourist activities. In so doing, the [illegible] generate total revenues of [illegible] ($1.3bn).

For an area best known for the atomic bombing of 1945 and its subsequent regeneration into one of Japan's major industrial centres, tourism in Hiroshima is perhaps a surprisingly big business. The city and prefectural government are working on [illegible] it [illegible] bigger.

In so doing, they must strike a careful balance. The memory of the [illegible] bomb remains a highly [illegible] issue and Hiroshima is [illegible] to maintain its image as a city of [illegible]. At the same time, [illegible] officials [illegible] develop new [illegible] to [illegible] the growing number of Japanese holidaymakers and [illegible] from overseas.

This balance can be difficult. "We don't [illegible] the image of the [illegible] bomb to tourists," [illegible] Hiroshi Isaka, director of the tourism [illegible] city [illegible]ment. "It [illegible] to [illegible] bomb." At the same time, new projects [illegible] have [illegible] controversy [illegible] of painful [illegible] of the [illegible] bombing.

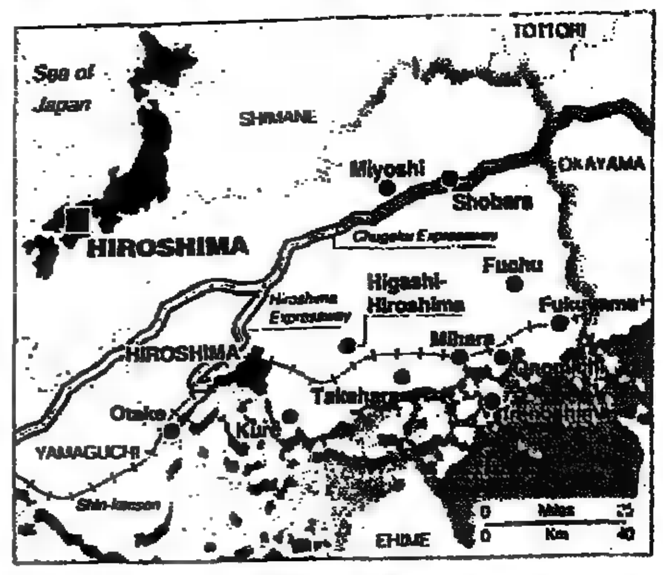
Nonetheless, the first nuclear explosion [illegible] is what [illegible] draw [illegible] visitors to Hiroshima. The city's Peace Park has many monuments to the victims of the bomb. Several peace festivals during the year draw large numbers both from Japan and overseas.

Increasingly, however, visitors are travelling to see the scenic [illegible] of Hiroshima prefecture [illegible] special events and [illegible] which draw them from Tokyo, Osaka and other population centres.

These domestic tourists dominate Hiroshima's tourist industry. Of the 18m people who visited the prefecture for tourism last year, all but 250,000 were Japanese from other areas. This type of tourist has also seen the strongest growth [illegible] the [illegible].

"We Japanese are [illegible] think [illegible] are," says Mr [illegible] Aoki, a manager at the [illegible] Tourist Company. "More and more people are travelling around the country on holiday or for leisure activities such as skiing, hiking or camping."

On many of these counts, Hiroshima scores highly. It boasts a number of ski resorts and golf courses, attractive countryside and the Seitonaikai, or Inland Sea, one of the most beautiful stretches of coastline in Japan.



In an [illegible] to capitalise on the [illegible] towards health and sporting holidays Hiroshima is developing its golf courses, [illegible] and camping areas. A more curious attraction is New Zealand Village, a joint public sector-private sector project which has reconstructed a typical Antipo[illegible] village aimed at [illegible]strating the healthy [illegible] enjoyed down under.

But despite such efforts, the first stop for Japanese tourists continues to be the historic cities of Kyoto or Nara. "I must admit, Hiroshima is not at the top of the list," says Mr Aoki, who gives its lack of historic buildings and monuments as the main reason.

So for Hiroshima, the task is to keep coming up with events or spectacles to draw visitors to the region. In this respect there has been a fair degree of success.

In 1989, The Sea And Land Exposition which promoted the attractive scenery of Japan's Inland Sea, drew just under 8m visitors. Every year the city of Hiroshima holds a flower festival, to coincide with the time when most Japanese people take their annual vacation.

The result has been a steady increase in tourist numbers. Japanese visitors, including those travelling within Hiroshima prefecture for tourist activities, rose from 27.9m in 1986 to 31.6m last year.

A series of future crowd-pullers are also planned. By far the bi[illegible]t is the 1994 Asian Games to [illegible] held in Hiroshima. "We think that the games will really put us on the map," says an official at the prefecture office.

The Asian Games, it is hoped, will also increase the number of foreign visitors coming to Hiroshima. A new airport is being built, one hour's drive east of the city, which will be able to handle international flights. Officials from the prefecture's tourist office have been visiting neighbouring countries promoting the attractions of the region.

For the foreseeable future, however, it will be domestic travellers who will keep Hiroshima's tourist revenues flowing. And as the trend to work less and play more continues to take hold among Japanese people, so Hiroshima's tourist industry is set to expand.

PEACE PARK

Lessons of the past

EACH YEAR on August 6 thousands of Japanese and international visitors gather in Hiroshima's [illegible] Park to commemorate the dead. They mourn and pray for the souls of the many thousands who died following the American attack on Hiroshima with an atomic bomb on August 6, 1945. It is a moving historical commemoration that is, nonetheless, laden with contemporary meaning and continuing controversy.

It is not just the dropping of the bomb that remains controversial, but also Japan's broader role in the Pacific War. With Hiroshima hosting the Asian Games in 1994, it is more important than ever that Hiroshima, if not all of Japan, comes to terms with a past that it often prefers not to think about.

The attack on Hiroshima was the first time an atomic bomb had been used in warfare. The second and last attack took place a few days later at Nagasaki.

The bomb that exploded high over [illegible] morning destroyed [illegible] city [illegible] completely by [illegible] of the [illegible] and the [illegible] raged afterwards. The [illegible] directly caused [illegible] people by [illegible] of the year.

The [illegible] Park, [illegible] – the remaining steel structure that supported a domed building – was at the centre of the attack. The annual memorial in the park is a sombre ecumenical ceremony in which participants are united by one view: that the bombing of [illegible] was a terrible tragedy that should not be repeated.

Yet beyond this, the bombing is an ambiguous symbol [illegible] an enduring [illegible] month [illegible] Hiroshima Memorial [illegible] Museum, located in the park, reopened with newly-reinstalled galleries. The aim of [illegible] was to [illegible] this [illegible] of [illegible] of the blast more vivid, especially to young people.

The hallway into the display is a reconstruction of broken brick buildings. Inside, wax figures with burnt skin and tattered clothing wander barefoot amid burning buildings and debris. The story of the blast is made more personal by showing burnt toys, a lunch box and clothing, along with the story of the original [illegible] who died.

Large [illegible] displays show [illegible] of [illegible] destroyed city taken by the US army after the blast. Yet the displays are strangely devoid of both historical and social context.

A visitor who knew nothing else of the war would almost certainly conclude that Japan was merely an innocent victim of this terrible attack. Nowhere is there a clue that the bombing of Hiroshima, which may indeed have been indefensible and mistaken on all sorts of grounds, came after a series of aggressive and brutal attacks by Japan on nearly all its neighbours and finally on the US itself.

Koreans and others who suffered in the blast are mentioned in the final panel of the exhibition, but efforts by Koreans to have relics of their suffering put into the display were spurned. A memorial to the Korean victims has been consigned to the periphery of the park.

It is the apparent unwillingness of the Japanese to look squarely at the historical record that makes many of their neighbours nervous about a country that plays such a big economic, political and military role regionally.

For Hiroshima, the symbolism of what the bombing of the city really means has become a more urgent issue because it will host the Asian Games in 1994.

So it was a significant step when at this year's ceremony to commemorate the tragedy of Hiroshima, Mayor Takashi Hiraoka for the first time apologised for the suffering that Japan inflicted on the rest of Asia during the Second World War. It was, at least, a start toward mending old wounds.

Steven Butler

هكذا من الأصل

Iphigenia in Tauris

BOCKENHEIMER DEPOT, FRANKFURT

The miracle about Goethe's play is that it is performed at all. Even in Goethe's day it was regarded as reflective poem rather than theatre and he had to look hard for producers and harder for audiences.

A comparison between this version and the Théâtre du Soleil's *Iphigenia in Aulis* – now star of the Berliner Festwochen, which I caught on tour this summer – urges the same conclusion: where Ariane Mnouchkine can inject carnival spirit and dramatic high jinks into Euripides, Goethe – whose source was Euripides' earlier *Iphigenia in Tauris* – all but excludes action.

The Germans euphemistically call this *Seelendrama*, drama of the soul, where action, conflict, crisis turn inward and are expressed mostly through musing soliloquy. Yet the work is abidingly popular in the German repertory – along with this opening, it runs in Berlin's Schiller Theater and is promised later in the Cologne season. Why, why, why?

Herbert Kreppel pleads a valiant case. Kreppel is a sensitive Goethe scholar who has done wonders with the scalpel, pulling five acts into under two hours and turning tedious monologue into dialogue and dramatic exchange without ever betraying Goethe's poetry. His cast speak verse like music, grand and lyrical yet emerging naturally out of character and situation.

Poetic sensuality offsets the starkness of story and setting: Bert Kistner's set is almost bare, a raised circular yellow platform with Diana's statue a rough abstract sculpture at one side. Costumes are simple black and white robes; faces are blackened, heads shaved; there is no music.

Weimar classicism beaten into life it remains. Kornelia Boje is an intense Iphigenia, languishing as Diana's priestess in Tauris, passionately homesick and uncertain in her debt to her host Thoas, but still primarily a cipher for Goethe's religious dilemmas. Her brother Orestes (Siemen Rühaak), mad, driven Greek pursued by the Furies and washed up unrecognised and unrecognising in Tauris, is a philosophising 18th century Hamlet; Goethe used to play the part himself.

Only Klaus Henner Russius' Thoas, the barbarian king whom Iphigenia has "civilised" by love and rational chat, convinces. Torn between demanding human sacrifice for political ends and setting Orestes free with Iphigenia, Thoas yields.

The two moments of pure drama in this production are his: trying to imprison Iphigenia in chains, he changes his mind and clasps her in embrace; letting her leave Tauris, he refuses to say goodbye, forcing her to break out, this time from Orestes' grasp, and grab his hand to beg a last farewell. He remains a tragic figure, alone and in trouble as brother and sister rejoice.

An impressive final scene, but a long wait for it.

Jackie Wullschlager

ARCHITECTURE

New lease of life for a damaged masterpiece

Colin Amery welcomes an appeal to help preserve the dual role of a Hawksmoor church

Nicholas Hawksmoor (1661-1736) [redacted] an architect whose work has the power to move. From the time when Sir Christopher [redacted] *nised his "early skill and genius"* and [redacted] him into [redacted] employment [redacted] his clerk [redacted] only 18, Hawksmoor's name has been [redacted] with a rare architectural brilliance. London is [redacted] fortunate city by virtue [redacted] having [redacted] many of Hawksmoor's greatest works. His [redacted] of amazing [redacted] – [redacted] Church, Spitalfields, St. Anne Limehouse and St. George-in-the-East – although [redacted] of the finest products [redacted] century art, [redacted] still somehow lost and neglected in [redacted] of London's East End. In almost [redacted] other European city they would [redacted] recognised and cherished [redacted] masterpieces – [redacted] equal [redacted] anything in [redacted].

Last week an appeal was launched [redacted] help [redacted] churches, St. George-in-the-East, to help make it [redacted] viable centre for its parish and [redacted] transform [redacted] crypt and [redacted] yard into [redacted] working home for the Guildhall [redacted]. The Ensemble [redacted] the postgraduate arm [redacted] the Performance [redacted] Skills Department [redacted] the Guildhall School of Music [redacted] and for the last two years it has been based in the crypt of [redacted] George's, where [redacted] out an unusual development [redacted] bring music and performance training [redacted] all [redacted] the community.

The dual [redacted] of St George's [redacted] about because [redacted] church [redacted] bombed in the second world [redacted] and the Hawksmoor interior was [redacted]. Instead, inside the [redacted] and marvellous walls, [redacted] small modern church [redacted] of [redacted] architect Arthur Bailey, and flats were squeezed into parts of [redacted] fabric.

Today, St. George's stands opposite the refurbished Tobacco Dock. It is still [redacted] magnificent sight, soaring like [redacted] great [redacted] galleon above the strange mixture [redacted] welfare housing and commercial [redacted] tunism that now characterises London's Docklands. It [redacted] intact from the [redacted] it [redacted] horrible shock to discover that Anglican pragmatism of the 1960s could not rise to contemplate a complete [redacted] tion [redacted] of [redacted] undoubted masterpieces of [redacted] English Baroque.

The [redacted] plans, [redacted] last week, [redacted] not [redacted]. Instead [redacted] scheme, carefully prepared by architects Stanton and Williams, [redacted] or [redacted] pro[redacted] new glazed [redacted] on [redacted] of the present internal courtyard which will [redacted] light [redacted] penetrate [redacted] crypt.

It [redacted] rational and intelligent way [redacted] utilising a damaged building [redacted] fullest potential. Public rooms and galleries will [redacted] added at four [redacted] and the 1960s church will feel less like a temporary addition sitting at the [redacted] a powerful ruin. The Guildhall [redacted] will [redacted] gain a good [redacted] rehearsal and performance [redacted].

[redacted] Hawksmoor benefit too? The [redacted] proposals respect his geometry more than the older [redacted] did. The staggering sight of Hawksmoor's tower forcing [redacted] through the split pediment will still be there [redacted] the west [redacted]. It will, in fact, [redacted] enhanced by the [redacted] own [redacted] for [redacted] steps.

The appeal [redacted] to support [redacted] it keeps a [redacted] ruin in [redacted] and [redacted] musical [redacted] clearly have [redacted]. The failure [redacted] church [redacted] architectural monument of European significance [redacted] in the immediate post war [redacted]. It remains [redacted] tragedy [redacted] to [redacted] guard [redacted] work of one of the great English architectural geniuses [redacted] consistently been [redacted] weak. Architects and [redacted] endlessly sing the praises of Hawksmoor, but that is [redacted] enough. Poor old [redacted] Church, Spitalfields has not [redacted] much helped by [redacted] that has been [redacted] formed [redacted] – [redacted] should have received all [redacted] the City. The tragedy [redacted] masterpieces [redacted] the East End [redacted] London – [redacted] area that has still not really benefitted from the unplanned development [redacted] Docklands nor from [redacted] profits [redacted] ludicrous giantism [redacted] Canary [redacted].

The church of St George-in-the-East: Hawksmoor outside, home for the Guildhall Ensemble inside

•

At the Royal Institute [redacted] British Architects Heinz Gallery, (21, [redacted] Square, London W1) there is a highly intelligent and enjoyable exhibition entitled [redacted] *Drawings of* [redacted] *Regency Period*. It is organised by [redacted] Worsley, the architectural editor [redacted] *Country Life* [redacted] written [redacted] book to [redacted] with the exhibition (published by [redacted] Deutsch, £25 hardback, [redacted] paperback) which [redacted] a [redacted] first [redacted] in [redacted] series devoted [redacted] the [redacted] exploration [redacted] the [redacted] of the RIBA Draw[redacted].

I [redacted] exhibition for two [redacted]. First, because it [redacted] agreeably didactic, explaining [redacted] developing role [redacted] the drawing as [redacted] both helped [redacted] builder but also [redacted] position [redacted] architect as the leader [redacted] the design [redacted]. Second, it deals with a period of English architecture that [redacted] humane and pleasing [redacted] the eye and [redacted] the work of Soane, Wilkins, Rickman, Playfair, Cockerell, Wyattville, Bonomi, Papworth and Nash.

The arrangement of the [redacted] and exhibition by building types allows for the inclusion [redacted] large [redacted] public buildings [redacted] peace after the Napoleonic wars, [redacted] elegant [redacted] that evokes a [redacted] and modestly elegant private world. The development [redacted] architectural perspective in [redacted] period pro[redacted] examples [redacted] the work of Joseph Gandy (a remarkable scheme for a proposed "imperial palace for sovereigns of the British empire") and a very distinguished interior by Bonomi. The inclusion of [redacted] work of lesser known architects helps [redacted] give a coherent view of [redacted] developing profession. It [redacted] particularly interesting [redacted] the work of a [redacted] like Michael Searles, who is not well known but [redacted] in [redacted] way [redacted] pioneer of the elegant speculative development of Regency south London. A quiet afternoon in [redacted] Heinz Gallery [redacted] this exhibition [redacted] both [redacted] restorative and educational experience.

In the current climate of retrenchment at the Coliseum, [redacted] return of such [redacted] tried and tested box-office favourite [redacted] *The* [redacted] no surprise, [redacted] *Andrew Clements.*

[redacted] English National Opera has scheduled [redacted] 20 performances well into [redacted] with special lower-priced [redacted] and a sprinkling [redacted] Saturday matinées. [redacted] this time, [redacted] David Ritch has again revived Jonathan Miller's [redacted] staging.

The [redacted] is full [redacted] tested [redacted] the production – [redacted] Suart's Ko-Ko *(pictured above)*, Anne [redacted] Katisha, Ian Caddy's Pooh-Bah and Bonaventura Bottone's Nanki-Poo.

Only [redacted] with the [redacted] allergy [redacted] and Sullivan need stay away.

[redacted] Alastair [redacted]

October jazz in the UK – and Ireland

The 20th season of the Arts Council's Contemporary Music Net[redacted] month with the Mike [redacted] Band featuring guitarist John Scofield among its [redacted] pieces, *writes Garry Booth.*

The [redacted] Queen Elizabeth [redacted] on London's South [redacted] (October [redacted] taking in 11 provincial [redacted].

[redacted] in [redacted] month, Ferguson Jazz [redacted] its autumn [redacted] the first British performance [redacted] Charles Mingus' *Epitaph* [redacted] London's Barbican (October 21). [redacted] two-hour long score was [redacted] musician's [redacted] and prepared [redacted] performance by Gunther Schuller, [redacted] *31-piece Ameri*[redacted] London performance.

The 1991 Guinness Cork [redacted] end [redacted] (October [redacted]

More than 100 [redacted] place in [redacted] 50 halls, hotels and pubs with the organisers expecting 40,000 [redacted].

Headline [redacted] have yet [redacted] be finalised [redacted] Gerry Mulligan, John Surman and Red Mitchell, among *others, have been confirmed.*

Ronnie Scott, who will also be at Cork, opens [redacted] Birmingham [redacted] weekend (October [redacted] with Rolling [redacted] drummer Charlie [redacted] leading a jazz quartet which [redacted] Pete King on alto-sax.

'Béatrice et Bénédict'

BIENNALE DE LA MUSIQUE FRANÇAISE, LYON

[redacted] last "opera" [redacted] might [redacted] been [redacted] showpiece [redacted] Lyon's [redacted] la musique française". He [redacted] a local *boy, after all.* [redacted] eccentric, [redacted] numbers [redacted] gems of [redacted] first [redacted]. Though many British music-lovers have known that for some time, thanks to Colin Davis (on records), the Buxton Festival and [redacted], revivals in [redacted] have [redacted] scanty.

While Lyon had its [redacted] Festivals – which ended when they ran out [redacted] – [redacted] *did stage* [redacted] ten years ago; but the [redacted] first-night audience [redacted] this new version suggested [redacted] the [redacted] one had made no great mark.

The trouble with *B&B* is that it's not quite an opera, nor anything else exactly. The Shakespeare-besotted composer merely set his favourite bits of *Much Ado about Nothing* [redacted] music (rather as he'd done more grandly with *Romeo and Juliet*) – and omitted the basic plot. What he first envisaged was a light, bubbling one-acter, for which [redacted] prickly [redacted] Béatrice and [redacted] and their mutual capitulation would suffice as a story, with the (boringly unclouded) [redacted] as background, and [redacted] new "comic" figure – the music-master Somarone, a dire addition – as a loose cannon.

[redacted] 15 musical numbers [redacted] jovial [redacted] and stage-music, but the [redacted] of [redacted] numbers allotted [redacted] the principals are seriously operatic, searching and long. Eventually, therefore, [redacted] had [redacted] stretch [redacted] two acts – *unfortunately without* any sustaining plot. British [redacted] more [redacted] well-loved banter, to give life to the central pair; for Lyon [redacted] producer [redacted] Barrat, [redacted] ambitious, [redacted] gist of Shakespeare's action (with Béatrice's "Kill [redacted]" and all). It didn't quite work.

[redacted] well [redacted] hours [redacted] at [redacted] long [redacted] spoken play, reduced *here* [redacted] *snippets (faithfully* translated, but they raised scarcely [redacted] laugh anywhere). Too [redacted] to flesh [redacted] the jesting lovers; and [redacted] too little to make the "dark" side of the piece – the Claudio-Héro-Borachio imbroglio – theatrically effective. For that [redacted] wrote [redacted] music, and the gaps [redacted] the operatic items began to yawn.

Laurent [redacted] *expansive,* [redacted] setting was seductive: the whole end of [redacted] *palazzo* [redacted] one [redacted], [redacted] lush [redacted] garden [redacted] other, and between [redacted] glowing, indeterminate vista of Mediterranean blue. Claude Béringuier engineered a magical twilight whilst Héro and Ursule (Danielle Borst and Catherine *Robbin)* [redacted] *their haunting* Nocturne-Duo, at the close of Act I.

Earlier, however, Miss Borst had just about got away with her heroically taxing *air*, and Tibère Raffalli's Bénédick, a bumptious guy blade, had sacrificed Berlioz's elegant line [redacted] a few stinging top-notes. Later, [redacted] Perraguin's *sprightly Béatrice lacked the* [redacted] grip [redacted] her great [redacted] of self-discovery. (We [redacted] have heard Anne Murray have [redacted] spoiled.) Despite [redacted] sharp [redacted] Berliozian essentials, the conductor John Nelson [redacted] no [redacted] shape for it, [redacted] the taut, teasing women's trio [redacted].

Gabriel Bacquier's ripe, rank [redacted] was [redacted] *go over* [redacted] top, [redacted] no [redacted] in [redacted] final [redacted] – [redacted] twinkling reprise of [redacted] familiar Overture, but [redacted] voices [redacted] Béatrice and Bénédick now supplying wry phrases [redacted] *should seem to have* [redacted] implicit in [redacted] music all along – [redacted] let [redacted] singers gasp their lines like [redacted] *recitativo* asides. In short, for all its civilised charms this well-intentioned [redacted] failed to crack *the crucial nuts.*

*

[redacted] in the Biennale, there were still splendid rediscoveries. If d'Indy's [redacted] Quartet sounded grimly [redacted] (using the [redacted] "Jupiter"-*Schluss-Fuge* [redacted] generate everything, but [redacted] expressive [redacted] to vary the effect), his op. [redacted] Triple [redacted] – piano, *flute*, [redacted] – gleamed [redacted] polished conviction.

Saint-Saëns came [redacted] very well: with the [redacted] Orchestral de [redacted] under [redacted] Guschlbauer his [redacted] Symphony sounded crisply, neo-classically cogent, and the late [redacted] and harp [redacted] Poulet [redacted] Isabelle Moretti, both excellent) found him trying out *bold modernisms. The American* trumpeter Steven Burns [redacted] exciting in André Jolivet's splashy 1948 Concertino.

The organist-composer Louis Vierne's 1917 [redacted] Quintet [redacted] deepest impression. Some months [redacted] I reviewed [redacted] recording of it rather coolly, but at Lyon [redacted] had an impassioned, revelatory performance by Gerhard Oppitz and the distinguished Quatuor Prat (we need [redacted] hear them in London, though *not* billed [redacted] "Prat Quartet").

When Vierne wrote [redacted] had just lost his brother [redacted] 17-year-old son in [redacted] Great War; [redacted] was himself going blind, and [redacted] come [redacted] suicide. With quotations from Siegfried's Funeral March [redacted] *Tristan, the Quintet is a searing* elegy with agonised, end-of-tether suspensions.

[redacted] Prat [redacted] seemed to [redacted] it completely, and it made [redacted] heart-wrenching experience.

David Murray

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Trio Tchaikovsky [redacted] piano [redacted] by Mozart, Rakhmaninov and Dvorak. Tomorrow: Cho-Liang Lin plays violin [redacted] Wed, Thurs, Fri: Riccardo Chailly [redacted] Beethoven [redacted] Mahler. Sat [redacted] performance [redacted] Hindemith's [redacted] der [redacted] Sun and [redacted] Haenchen [redacted] Netherlands Philharmonic Orchestra (6718 345)

■ BARCELONA

[redacted] **Teatre del** [redacted] Margaret Price sings [redacted] by Mozart [redacted] Verdi in a concert by [redacted] Liceu [redacted] conducted by [redacted] Mund (412 1466)

■ BERLIN

MUSIC AND DANCE

Staatsoper unter [redacted] Heinz Fricke [redacted] Der Freischutz, [redacted] Magdalena Hajossyova [redacted] Agathe and Reiner Goldberg as [redacted]. Tomorrow: Le nozze di Figaro. Wed: Il [redacted]. Thurs: Horst Stein [redacted] the *Berlin Staatskapelle.* Fri: [redacted] Lake. [redacted]: Les Contes d'Hoffmann. Sun: [redacted] Mélisande (East Berlin 2004 762)

Deutsche Oper [redacted] Heinrich Hollreiser conducts Gunter Kramer's new production [redacted] Zauberflote, with a cast including [redacted] Seiffert, Cornelius Hauptmann [redacted] Eva Johansson, also [redacted] and Sat. Tomorrow: Tosca. Thurs [redacted] Sun: La boheme. Fri: ballets by Neumeier, [redacted] and Van Manen (West Berlin [redacted] 249)

Schauspielhaus [redacted] Jörg-Peter Weigle conducts [redacted] Dresden Philharmonic Orchestra in a programme [redacted] overtures [redacted] arias from operas by Wagner, Verdi, Mozart, Strauss [redacted] Lortzing, with [redacted] Ridderbusch and other soloists. Tomorrow: London Mozart Players. [redacted] sacred choral music by Beethoven and Bruckner. Thurs: [redacted] Schonwandt conducts the Berlin Symphony Orchestra. Fri: Arnold Ostman conducts [redacted] Berlin Radio Symphony Orchestra. Sun: Gunter [redacted] conducts Bruckner's Fifth Symphony (East Berlin 2272 261)

THEATRE

East Berlin: [redacted] Deutsches Theater unveils [redacted] new production [redacted] Shakespeare's Henry VI at the Kammerspiele on Thurs, for which the trilogy [redacted] condensed [redacted] single-evening length by Katja Paryla and Henrik Bien. Paryla directs the production, with [redacted] Kroschwald in [redacted] and *Karl Kranzkowski* [redacted] (2871 [redacted]. On Fri [redacted] Sat, the Berliner Ensemble [redacted] a show starring the popular Berlin boulevard actress Gisela May (2827 712). The repertory [redacted] Maxim Gorki Theater includes George Tabori's Mein Kampf (tomorrow), [redacted] Amadeus (Wed), Caryl Churchill's Top Girls (at the [redacted] on Wed) and T.S. Eliot's The [redacted] Party on Sun [redacted] 748). The Volksbühne [redacted] showing Schiller's [redacted] Thurs and Shakespeare's The Comedy [redacted] Errors on Fri [redacted] 748). [redacted] **Berlin:** [redacted] tonight unveils [redacted] new production of Arthur Schnitzler's The Lonely [redacted] (1904), [redacted] by Andrea Breth, [redacted] Fri. Kleist's Amphitryon [redacted] Thurs, [redacted] Sun [redacted]. The Schiller Theater has Lessing's Minna von Barnhelm [redacted] Fri and Goethe's Iphigenie auf Tauris [redacted] (3195 236). The [redacted] Theater [redacted] Peter Shaffer's Amadeus [redacted] by *Gerhard Klingenberg, daily till Oct* 29 (3124 [redacted]

■ CHICAGO

Lyric [redacted] Bruno [redacted] conducts [redacted] Carsen's production [redacted] Mefistofele, with Samuel Ramey in the [redacted] role, Bruno [redacted] Faust and Aprile Millo as Margherita, repeated [redacted] Fri. Tomorrow [redacted] Samuel Barber's Antony and Cleopatra (332 2244)

■ LONDON

Covent Garden 17.00 Bernard Haitink conducts [redacted] Friedrich's production [redacted] Siegfried, [redacted] Kollo in the title role, [redacted] Morris [redacted] Wanderer, Ekkehard Wlaschiha as Alberich and Gwyneth Jones as Brunnhilde. Tomorrow: Rigoletto. Sat: [redacted] Rheingold. The Royal Opera's second Ring cycle [redacted] place [redacted] 10, 11, 14 and 17 (071-240 1066)

[redacted] James [redacted] Jonathan Miller's production [redacted] The Mikado, [redacted] Sat. Tomorrow and Fri: La boheme. Thurs: Billy Budd (071-836 3161)

[redacted] **Hall** 19.30 [redacted] Salonen [redacted] Philharmonia [redacted] in Debussy's Gigues (from Images), Stravinsky's Firebird and Shostakovich's [redacted] Cello Concerto, with Heinrich Schiff. [redacted] and The Rite [redacted] Spring. Thurs: Tennstedt [redacted]. Fri: [redacted] Arwel Hughes conducts Elgar [redacted] Bournemouth Symphony Orchestra. Sun: Giulini [redacted] the Philharmonia (071-928 8800)

[redacted] *Brian Wright* [redacted] the English Chamber Orchestra [redacted] Goldsmiths [redacted] Union in [redacted] Solemnis. Tomorrow: Richard Stilgoe [redacted] Peter [redacted] part in [redacted] gala [redacted] in aid of cancer relief. [redacted] Jeffrey Tate [redacted] Mozart. Thurs: [redacted] Christ Superstar (071-638 8891)

■ MUNICH

MUSIC AND DANCE

Staatsoper [redacted] Peter Wright's production of Sleeping Beauty. Tomorrow and Fri: Barseg Tumanyan sings the title role in [redacted] production [redacted] Godunov. [redacted] with Julia Varady [redacted] Abigaille. Thurs [redacted] L'Italiana in Algeri with Agnes [redacted] and Simone Alaimo (221316)

Philharmonie 20.00 Sergiu Celibidache [redacted] the Munich Philharmonic Orchestra in Milhaud's Suite française, Debussy's La [redacted] Franck's Symphony in D minor (48098 614). [redacted] weeks, [redacted] on [redacted] Rouen (Oct 2, 4, 6), Madrid (Oct 8, [redacted] 11, 12), [redacted] (Oct 15, 16), [redacted] (Oct 18, 19) [redacted] Budapest (Oct 21)

THEATRE

Kammerspiele [redacted] Botho [redacted] by Dieter Dorn. This [redacted] repertory [redacted] Don Juan tomorrow and [redacted] on Fri (23721 [redacted]

Prinzregententheater [redacted] Shakespeare's Coriolanus [redacted] by [redacted] Berkoff. Tomorrow: [redacted] The Marquis [redacted] Keith. [redacted] Die [redacted] (225754)

■ NEW YORK

Carnegie Hall 20.00 Michael [redacted] the Junge [redacted] Philharmonie in B.A. Zimmermann's Symphony in one movement, [redacted] Symphony [redacted] Brahms' Double Concerto, with Yo Yo [redacted] and Christian Tetzlaff (247 [redacted]

Metropolitan Opera [redacted] Levine [redacted] Die [redacted] with a [redacted] by Dawn Upshaw, Ruth Welting, Jerry Hadley, Mikail Melbye [redacted] Kurt Moll, repeated on Fri. Tomorrow: Un ballo in [redacted] Wed and [redacted]: Idomeneo. Thurs: Don Giovanni (362 6000)

■ PARIS

Opera Bastille [redacted] Jonathan Darlington [redacted] Le nozze di Figaro, with [redacted] including Jorma Hynninen, Françoise Pollet and Maria Bayo. Final performance on [redacted] Thurs [redacted] Myung-Whun Chung [redacted] Jean-Pierre Miquel's new production [redacted] Idomeneo (4001 1616) [redacted] Jeffrey Tate [redacted] Adolf Dresen's production [redacted] Lulu, [redacted] led by Patricia Wise, Brigitte Fassbaender, Hans [redacted] and Wolfgang Schone. [redacted] till [redacted] 12, with [redacted] performances on Fri [redacted] Sun. Thurs: Wynton [redacted] his jazz band. Sat: William [redacted] Les Arts Florissants in Campra's Idoménée [redacted]

■ VIENNA

MUSIC

Staatsoper [redacted] Peter Schneider [redacted] Le nozze di Figaro, with [redacted] by Lucia Popp, Barbara Bonney, Wolfgang Brendel and [redacted] Scharinger. Tomorrow [redacted] *Thurs: La Sylphide.* [redacted] *La* [redacted]. Fri: [redacted] Zauberflote. Sat: Tarkovsky production [redacted] Boris Godunov (51444 [redacted]

Musikverein [redacted] Piano recital by Shura Cherkassky. Tomorrow: Philippe Entremont [redacted] the Vienna Chamber Orchestra. [redacted] Friedrich [redacted] Thurs, Fri, [redacted] Sun: Rafael [redacted] Burgos conducts the Vienna Symphony Orchestra (505 8190)

THEATRE

This week's repertory [redacted] Burgtheater includes Claus Peymann's production [redacted] Goethe's Clavigo (tonight, tomorrow and Wed), Kleist's Penthesilea directed by Ruth Berghaus (Fri) [redacted] Jürgen Flimm's production [redacted] Der Schwierige by Hugo von Hofmannsthal (Sun). The Akademietheater repertory [redacted] Brecht's The Good Person of Sezchuan on Fri and Othello [redacted] Sun (51444 2218)

European Cable and Satellite Business TV

(all [redacted])

MONDAY [redacted] **FRIDAY**

Eurosport

[redacted] International [redacted] report

[redacted]

[redacted] Moneyline

[redacted] Business Morning

[redacted]

[redacted] World [redacted] Today – a joint FT/CNN production [redacted] a review [redacted]

[redacted] Today

[redacted] Moneyline

Superchannel

[redacted] (Tues) [redacted] Europe Report – weekly [redacted] report from FTTV

2130-2200 (Wed) FT [redacted] Weekly – [redacted] round-up [redacted] with [redacted] and [redacted]

[redacted] (Thurs) Talking [redacted]

Sky News

[redacted] International Business Report

1130, 1730, 2130, [redacted] 0530 (Thurs) FT [redacted] Weekly

[redacted]

CNN

[redacted] Moneyline

0900-0930 World [redacted] This [redacted] – a joint FT/CNN production

1540-1610 Moneyweek

1900-1930 [redacted] This [redacted]

2110-2140 Your Money

[redacted]

Superchannel

[redacted] FT [redacted] Weekly

Sky News

1330, 1630, 2030, 0030, 0230 FT [redacted] Weekly

CNN

0710-0740 Moneyweek

[redacted] Inside [redacted]

1540-1610 Your Money

[redacted] This [redacted]

1940-2000 [redacted]

FINANCIAL TIMES
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Bush's bold arms plan

THE US president's [illegible] nuclear [illegible] initiative has rightly been hailed as one of the most far-reaching contributions to reducing the risk of nuclear war since the beginning of US-Soviet arms control negotiations. But there is a risk that its shock effect – few people expected another big nuclear arms control push so soon after the signature of the Strategic Arms Reduction Treaty last July – will lead people to draw the wrong conclusions. While it is certainly aimed at further sharp cuts in nuclear arsenals, it will not rid the world of all nuclear weapons.

Indeed, [illegible] that it [illegible] leap in the dark which former US President Ronald Reagan [illegible] to [illegible] at his notorious Reykjavik summit in 1986 [illegible] Mr Mikhail Gorbachev, when he proposed the complete abolition of nuclear weapons. At that time, he was restrained by Washington's European Nato partners – not [illegible] Mrs [illegible] Thatcher – from taking a step which would have left Europe dangerously exposed [illegible] Soviet conventional attack.

Since then, the international political and military environment has changed radically. Last year's treaty cutting conventional [illegible] in Europe, [illegible] withdrawal from eastern Europe and the [illegible] disintegration of the [illegible] Union, [illegible] virtually [illegible] of a conventional [illegible] in Europe. Yet the [illegible] and insecurity [illegible] political upheavals in [illegible] Soviet Union and Yugoslavia have brought in their wake, coupled with the outbreak [illegible] unpredictable regional [illegible] such as the Gulf conflict, have alerted the US and its western allies to the need to maintain credible, if reduced defences. It is the [illegible] deterrent, after all, which has prevented [illegible] conflicts in Europe [illegible] the [illegible] years.

Superb timing

The timing [illegible] Mr Bush's initiative and the political judgement on which it is based could not have been better. As he said in his speech on Friday, there was now an unparalleled opportunity to change what he called "the nuclear posture" of both the US and the Soviet Union. The Start treaty provides for a reduction of no more than 25 to 30 per cent of both countries' strategic arsenals. Yet the Soviet Union's economic reform plans require the conversion of its overblown and costly military industry into factories producing much-needed [illegible] for a peace-time [illegible].

Mr Bush [illegible] had [illegible] take into account [illegible] nuclear [illegible] rity problem [illegible] by the imminent break-up of the Soviet Union into independent republics. Mutual nuclear deterrence [illegible] to be based on confident predictions [illegible] the other [illegible] behaviour in a cri[illegible]. But in the [illegible] nuclear [illegible] – Belorussia [illegible] have already [illegible] extremely reluctant to transfer their missiles to Russia – such predictions become extremely uncertain and hazardous. Better, therefore, to strike while the iron is hot and there is still a good chance of negotiating a nuclear arms agreement with the central Soviet government under Mr Mikhail Gorbachev.

US sweeteners

The sweeteners to such an agreement offered by Mr Bush are substantial. Though the withdrawal of tactical nuclear weapons from Europe and other locations has been foreseen for a long time in Nato strategy, the decision to eliminate all nuclear cruise missiles from [illegible] warships is a real con[illegible] to [illegible] Union. During the Gulf [illegible] had expressed deep concern [illegible] warships carrying [illegible], which [illegible] very difficult to detect, had come within range of Soviet territory.

[illegible] a much more difficult prospect [illegible] abolition by both [illegible] of all land-based intercontinental [illegible] missiles with multiple [illegible], as proposed by Mr Bush. Since this proposal is not matched by an offer to scrap submarine-launched ballistic missiles, an area in which the US has a clear lead over the Soviet Union, an agreement might prove difficult to reach.

Founded though its position is on a determination to retain a credible nuclear deterrent, it seems likely that the US will, in the end, have to envisage some reductions in sea-launched strategic missiles in the interests of reaching an overall deal with the Soviet Union. In that case, Britain and France will no longer be able to argue, as they still do today, that the large nuclear arsenals of the superpowers justify their own "minimum deterrents".

Mr Bush's far-reaching proposals also imply that London and Paris are fast approaching the moment when they have to review their own nuclear defence policies and participate in the nuclear arms control process.

Protecting the small investor

EARLIER this month the Securities and Investments Board (SIB) said in a discussion paper on the regulation of retail investment products in the UK that it wanted investors to be able to "take full advantage of the dynamic and innovative UK market place for financial services".

Just three weeks later National Westminster Bank announced that it has given up the struggle to be the last big high street provider of independent financial advice. Its customers will routinely be sold only own brand investment products. Abbey National, too, has decided to sell its own life products rather than those of an independent company, Friends Provident. The pattern is established right across the retail banking industry.

The alarming fact is that the innovative and competitive independent life insurance companies are being largely replaced by in-house product "manufacturers" geared to deliver standardised contracts of probably indifferent performance.

Historically, the unique character of Britain's investment industry derived from the existence of a dominant distribution network of independent brokers, which encouraged the development of independent life and investment companies.

Under attack

But the system has been under attack from two directions: direct-selling companies such as Abbey Life and Allied Dunbar; and the big banks and building societies. When the legislation for the protection of investors was reformed through the Financial Services Act 1986, it was vital that the high street banking sector should be retained as a distribution channel for the independent life and unit trust companies. Unfortunately, the authorities succumbed to pressure from the independent brokers and some of the life compan[illegible] [illegible] adopt [illegible] "polarisation", which [illegible] that any intermediary had to choose between independent status or be restricted to the products of just one company.

Special relationships

Intermediaries feared that if special relationships with just a few companies were permitted the conflicts of interest could only be resolved through full disclosure of commissions, which they know would lose them a lot of business. Second, they reasoned that polarisation would cripple the power of the banks to establish financial supermarkets

The hope that some big retail chains would retain independent status has now proved an illusion. The next stage must be a structural crisis among the independent life companies, which can now only sell to people able to afford independent financial advisers.

There are parallels with the stock market "Big Bang" of 1986 which rebounded against small investors and placed large financial institutions under great pressures. The Financial Services Act, which came fully into effect in 1988, has not been directed sufficiently towards protecting investors.

The unique character of the UK's long-term investment industry is being squandered. As a first step, the polarisation rules should be relaxed, to allow the banks' independent advisory offshoots, which they still retain on a restricted basis, much better access to the branches. The SIB could propose this as part of its current review of polarisation.

Second, there is a case for considering [illegible] oversight of SIB and its subsidiary self-regulatory organisations, and whether [illegible] interests are over-represented [illegible] the watchdogs.

President Bush's arms control proposals do not obscure a tough decision over direct aid to the Soviet Union, writes **Lionel Barber**

Hand of friendship for an old foe

PRESIDENT George [illegible] has [illegible] the [illegible]. His wide-ranging proposal [illegible] reductions in US-Soviet nuclear weapons [illegible] first significant [illegible] from the [illegible] the new Russian revolution; as [illegible] the timing was finely judged.

In one stroke, Mr Bush has disarmed those critics [illegible] home and abroad who were starting to complain that his reaction to the [illegible] of Soviet communism [illegible] timid and unimaginative. Now, with some justification, he can claim to have set in motion the most sweeping changes in US defence strategy in 40 years.

Mr Bush's proposals – unveiled in a nationwide address on Friday night – come just as the Soviet president, Mr Mikhail Gorbachev, and his Russian counterpart, Mr Boris Yeltsin, are engaged in high-stakes talks to save the union. The US arms control plan [illegible] aimed at strengthening their hand in negotiations with the 15 republics; the billion-dollar question is whether Mr Bush, having offered to lift the burden of the nuclear arms race, is prepared to tackle the even trickier issue of economic aid.

Under the president's plan, the US will withdraw all short-range nuclear weapons from Europe; remove all tactical nuclear weapons from all US submarines and warships; end a 24-year alert status for all US strategic bombers; and accelerate the 30 per cent cuts agreed under the Start treaty recently signed with the Soviet Union on long-range missiles.

There is, however, a little less to Mr Bush's offer than meets the eye. Some of his proposals can be reversed, if the Soviets fail to respond. His call eventually [illegible] eliminate all [illegible] multiple [illegible] singles [illegible] nuclear [illegible]. *US superiority in submarine-based* systems remains intact.

Indeed, Mr Bush has no intention of abandoning America's air-, sea-, and land-based nuclear triad; he is sticking to plans in place before the abortive Soviet coup, to draw down US armed forces by 25 per cent; and he is loath to cancel any important [illegible] weapons system. Prudence, it seems, can only be stretched so far.

The greatest impact of Mr Bush's proposals will be psychological. His offer to remove sea-launched cruise missiles, where the US enjoys [illegible] long-standing technological edge, suggests that he has finally ditched post-war American fears about "missile gaps" and Soviet nuclear superiority. The Soviet threat has diminished; now, in Mr Bush's words on Friday night, the US stands ready to "help".

Just how far is the president prepared to go to assist in the political and economic transformation of America's old adversary? The answer, says one senior US official, will depend a great deal on events in Moscow, primarily whether the new Soviet leadership and the republics can agree on power-sharing arrangements and [illegible] new economic treaty. At this early stage, powerful voices are urging Mr Bush to [illegible] bold. The most prominent is Mr James Baker, US Secretary of State.

Mr [illegible] visited Moscow [illegible] month, holding talks with top Soviet officials and leaders of the Baltic states. He even flew to Kazakhstan to meet the republican leader Mr Nursaltan Nazarbayev. Mr Baker's message to Washington was unequivocal: the failed [illegible] coup wiped out hard-core, high[illegible] to reform. "[illegible] are dealing with a very different country," [illegible] one senior administration [illegible].

Thus, Mr Vadim Bakatin, the head of the KGB, asked Mr Baker whether the CIA could offer lessons on how to manage a spy [illegible] in a democracy. [illegible] Yevgeny Shapashnikov, the Soviet defence minister, [illegible] about the US military justice system, offering the breathtaking admission that it was vital to restore the public's trust in the Red Army as an impartial and volunteer fighting force.

Later, General Shapashnikov asked about US base rights agreements with its allies. The most likely explanation, says one senior US official, is that the leadership wants to create a new legal basis for stationing troops in the Soviet republics.

Such talk convinced Mr Baker that the revolution presents the US and the west with an historic opportunity to redefine their wary posture towards the Soviet Union. President Gorbachev further helped his cause by pledging to end the Soviet military presence in Cuba and to cut off arms supplies to Afghanistan. He also showed willingness to resolve the Kurile Islands territorial dispute with Japan; senior US officials are engaged in trying to broker a compromise between Moscow and Tokyo so that Japan regains the islands.

These Soviet concessions may have been an act of desperation, but they served one important purpose: the removal of the political obstacles which President Bush has most frequently cited in opposing direct US financial assistance. A new mood has developed within the administration. "The consensus," says a senior western official, "is that the prospects for reform are much better than before."

Yet this optimism has to be set against the titanic task ahead. In their recent trip to Moscow, Mr Alan Greenspan, chairman of the Federal Reserve, and Mr Nicholas Brady, US Treasury Secretary, heard confirmation that the Soviet authorities are fast running out of hard currency, creating severe liquidity problems and a dangerous squeeze on much-needed imports.

The unspoken fear is that even if Moscow does not declare a moratorium on its $62bn foreign debt, it may require a western bridging loan of at least $1bn within the next few weeks to meet its obligations.

The immediate US imperative is to avoid chaos this winter. An international relief campaign, which may rival Herbert Hoover's successful effort to prevent famine in the Soviet Union in the early 1920s, is under way. Working with its partners in the Group of Seven industrialised nations, the US wants an assessment of Soviet needs for food and humanitarian aid within the next few days.

Soviet concessions removed the political obstacles President Bush has cited in opposing direct US financial aid

On macroeconomic reform, the US is still moving gingerly. Senior officials stress technical co-operation in areas such as food distribution, energy and the conversion of defence plants to civilian use – all of which ought to provide the hard currency needed to ease the Soviet payments crisis. Equally pressing is the need for contract and property laws; the US view remains that foreign investment, through the private sector, is the most efficient vehicle for the transition to a market economy.

Yet the administration is slowly coming to realise that if the great gamble of Soviet economic reform is undertaken, then direct US financial aid is a must. The US contribution would, of course, be part of a collective western effort, but this still raises the problem of selling the idea to a US Congress which wants American dollars spent on domestic needs such as education and health care. With the federal budget deficit likely to grow to more than $350bn next year, an election year, Mr Bush will have to muster every pound of political capital to defend direct financial aid to the Soviet Union which is certain to run into billions of dollars.

These political pressures explain why the US is prepared to drop its long-standing opposition to the Soviet Union – or whatever confederation follows – becoming a full member of the International Monetary Fund and World Bank. The prospective shift in US policy is critical, since it would allow the Soviet authorities to borrow directly from a neutral international financial institution with far greater resources than the US.

Some dissenting voices still need to be persuaded. The US Treasury is worried that Soviet membership could jeopardise efforts to secure congressional approval for a 50 per cent increase in the IMF's resources, the so-called quota increase. Also, lack of adequate data on Soviet gold and foreign currency reserves could complicate admission, as well as the Treasury's reluctance [illegible] upset the redistribution of *IMF membership* quotas agreed, with great difficulty, only a year [illegible] are minor technical [illegible] set against the huge potential gains [illegible] stake in a demilitarised Soviet Union which [illegible] full member of the international community of nations. But substantial questions remain over western support for a reform package, how it is arranged and the conditions under which it might [illegible] available. This [illegible] likely [illegible] central issue of debate – but not decision – at the annual meeting of the IMF and World Bank in Bangkok next month.

In the meantime, the administration is pulling out all the stops for the dual leadership of Presidents Gorbachev and Yeltsin, "the new force for stability". Indeed, Mr Bush's nuclear arms proposals may well have [illegible]rved [illegible] a valuable bargaining chip for the two in their campaign to preserve some central control in their negotiations with the breakaway republics.

The administration [illegible] with alarm [illegible] possibility of a total break-up of the Soviet Union and is looking for evidence of a strengthened central leadership. When President Gorbachev last week persuaded Mr Eduard [illegible] former foreign minister, and several [illegible] leading [illegible] to join his advisory council, a sigh of relief echoed across the Potomac.

During his trip to Mo[illegible], [illegible] Baker heard bleak warnings about the risks of disintegration of central authority. Among others, Mr Shevardnadze expressed grave concern about the repercussions of total independence for the Ukraine which could provoke a chain reaction.

The scenario is that first, the Russian minority would rise up; Kharkov, *the Crimea*, Odessa and the Donetsk coal basin would follow; that in turn could provoke the 40 per cent Russian population in Kazakhstan to seek to join Russia. The risk would be a Yugoslav-style civil war, or worse, Mr Baker was told.

Such nightmares were current even before August's failed coup and persuaded Mr Bush to deliver what has come to be known as the "Chicken Kiev" speech in July. Addressing the Ukrainian parliament, Mr Bush warned against "[illegible] nationalism" and [illegible] out strongly [illegible] Union which [illegible] central control, albeit within [illegible] democratic federal framework.

Critics seized on the speech, not unreasonably, as a thinly disguised effort to bolster President Gorbachev at the expense of the republics. Senior US officials say this misses the point: the totalitarian centre has been smashed, and the republics have seized power. The challenge is how to reconstitute some central authority in the interests of stability and economic coherence.

There is little doubt that the Ukraine is central to US thinking. Mr Leonid Kravchuk, the Ukrainian leader, visited the White House last week and was given the full photo-opportunity treatment. A more interesting session occurred later, when Mr Kravchuk was invited to attend a one-hour meeting with Mr Ed Hewett, a senior specialist in the Soviet economy on the National Security Council staff. By one account, Mr Hewett gently informed Mr Kravchuk of the advantages – and disadvantages – of full-scale secession from the union.

This candour is a visible part of the new US-Soviet relationship. Mr Bush has taken a further step towards ending the Soviet image in the US of being Public Enemy Number One through his arms control proposals. The next challenge is whether such candour permits the US and its allies to state flatly that there can be no multi-billion-dollar rescue plan for the Soviet economy unless the key constituent parts, including the Ukraine, remain together. The message from Washington is: the centre must hold.

Bush's initiative is aimed at helping Yeltsin, left, and Gorbachev, centre, in their talks with the republics

OBSERVER

Poetic sensitivities

■ Obituaries of Roy Fuller, the distinguished British poet who died on Friday, rightly concentrated on his sharp eye, his quiet wit and his intellectual authority. But he was also a special hero for those who toil in the prosaic world of commerce and finance. For nearly 50 years, he climbed steadily up the promotion ladder at the Woolwich Building Society, and was still the society's full-time solicitor when [illegible] to the Oxford professorship of Poetry in 1968.

Along with volumes of poetry, novels and criticism, his publications included "Questions and Answers in Building Society Law and Practice."

His views on the building society movement (*never* industry) seem especially relevant in today's harsh climate. "The safety of the investors' cash (and its bearing sufficient interest to retain them) was obviously paramount," he wrote. "But borrowers were treated with as much leniency as was consonant with sensible management; in individual cases of disaster usually with generosity." Not surprisingly, he regretted the Building Societies Act of 1986. "As with so many things in one's lifetime – bread, schooling, dress, manners – the enviable friendly society status, invention by British genius of a fair institution for spreading home ownership, was laid open for destruction."

His politics, like his poetry, were not what you might expect of a building society official. But he did move to the right in later years, and rhythm and metre were more important to him than political precision. "I'm overfond of Uncle Joe," he once wrote, but later confessed that the choice of verb had really been determined by the metre. "Too lenient to Uncle Joe" would have been more accurate, he claimed.

Business lunch

■ The spirit of risk-taking free [illegible] spawned [illegible] the Business Expansion Scheme [illegible] on. [illegible] group of London socialites, including Taki Theodoracopulos, a columnist for the Spectator magazine, and Sir Ian Gilmour, Conservative MP and former arch-wet cabinet minister, is using the BES to launch a restaurant in Covent Garden.

The restaurant will be known as Christopher's The American Grill, after Christopher Gilmour, son of Sir Ian, who will run the restaurant. Typical menus will include corn-fed American beef and Maine [illegible]

The restaurant's interior decor might be another incentive for potential investors – it will feature a mural depicting "all the Restaurant's investors, prominent London personalities and its better known customers".

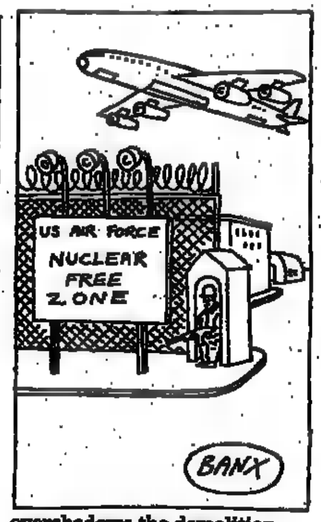
Sappers united

■ Welbeck College, one of the the British army's last male-only bastions, is going [illegible] in September 1992.

Welbeck is the army's residential college for students studying for scientific and technical pre-university entry public examinations, and is traditionally an important start for aspirants to top posts in engineering and technical regiments.

Women may now join all British regiments and corps on an equal basis, except combat units. There will be around 30 places for females [illegible] the college, out of [illegible] total 170. Welbeck graduates of sufficient calibre go on to the Royal Military Academy at Sandhurst.

Only one minor concern



overshadows the demolition of Welbeck's gender divisions.

Although the young men and women will be quartered in separate barracks, the college and its grounds are a warren of underground tunnels, constructed in the nineteenth century by the eccentric 5th Duke of Portland. A publicity-shy character, the Duke also built an underground ballroom and a lengthy tunnel linking his mansion to the local railway station. Map-reading might become the most favoured course.

Small fraud

■ Russia's first domestically-issued Visa charge card, issued by Credobank, a small private Moscow bank, has just started operating. Russian credit card fraud is already busy, practised on cards used in Russia by westerners.

By world standards the scale of fraud is low – 0.05 per cent of total card transactions against a global average of 0.13 per cent.

It is also fairly easy to spot. Only 1,000 places in the Soviet Union accept plastic; 80 per cent of the fraud happens at 20 outlets. Perhaps the next issue of American Express's Expressions could warn us of the hotspots.

Quick kill

■ Howard Hodgson, who as the head of a chain of funeral directors was once responsible for burying one in ten of Britain's dead, is back on the corporate scene.

Hodgson, who sold his stake in his old company earlier this year, is launching a management consultancy company in conjunction with, among others, Mr John Gunn, best known as the chief executive of British & Commonwealth, which collapsed last year.

Hodgson, who has a book coming out called *How to be Dead Rich*, has no intention of jeopardising the considerable fortune he amassed as a funeral director. Recently turned 40, Hodgson considers he has reached "half time" in his business career. He has put aside £200,000 for new ventures, but has invested the rest more conservatively. "I did not want to wake up when I'm 45 and find I'd lost it all," he said.

Face lift

■ Britain lost considerable face recently; it left out an important paragraph on investment protection in Hong Kong in the joint communique of the Sino-British Joint Liaison Group, which has just held its 20th meeting in London.

Such negligence could have been seen by the Chinese as politically-motivated. But after Mr John Major's successful visit to Beijing earlier this month, Chinese officials sprang to the red-faced Foreign Office's defence.

"The meeting had only just finished and they had to prepare their communiques very quickly," they said, handing out their own complete text of the communique in English, with broad smiles.

هكذا منذ الأصل

Final chapter for book price accord

Alice Rawsthorn and **Raymond Snoddy** on the latest assault on the UK net book agreement

Winnie the Pooh, the honey-loving bear featured in A A Milne's children's books, cuts [illegible] unlikely figure in the thrusting world [illegible] business. But this [illegible] Winnie [illegible] drawn into the bitter battle between Britain's book publishers and book sellers.

The Winnie the Pooh Storybook was one of 20 books which Dillons, the chain of bookshops owned by Mr Terry Maher's Pentos group, sold at a discounted price on Saturday in its latest attack on the net book agreement (NBA), the mechanism that sets minimum prices for most books.

Dillons' discounting *seems* to have worked. Mr Maher said the Pooh Storybook, a set of books which had not sold at all in some Dillons' shops at the original price of £60, became one of the chain's best sellers at its new price of £45.

Mr Maher, who claims Dillons' sales were 10 [illegible] cent higher this Saturday than the £700,000 usually taken on the same day at this time of year, is determined to press ahead with his campaign against the NBA. He is doing so despite an injunction granted to the Publishers' Association on Friday to prevent him selling books at [illegible] discount without the publishers' permission. Dillons is able to continue because Reed International, whose [illegible] businesses include Octopus and [illegible] Warburg, now pub[illegible] books [illegible] the agreement.

Later this week Waterstones, which is owned by W H Smith, the biggest single player in book retailing, will almost certainly enter the battle by cutting the prices of Reed books. Mr Tim Waterstone, chairman, has supported the NBA in the past but said he had no option but to join the price war by discounting "deeper and wider than Dillons" for fear of losing ground.

The initiative by Dillons and Waterstones represents the most serious threat [illegible] NBA. If other book [illegible] join in, and [illegible] publishers follow [illegible] example, [illegible] NBA could soon become [illegible].

Industry opinion is divided over the net book agreement. Some dismiss it as an anachronism that artificially inhibits book sales. Others see it as a sorely needed source of protection for small bookshops and independent publishers.

Both camps agree that the threat to the NBA comes at a very sensitive time for Britain's publishers. The book [illegible] has already been hit by a sharp fall in sales in one of the worst recessions it has known. At the same time the publishers are struggling to adjust to the structural changes in their market: the growing power of [illegible] retail [illegible] and [illegible] new breed [illegible] multinational publishing groups.

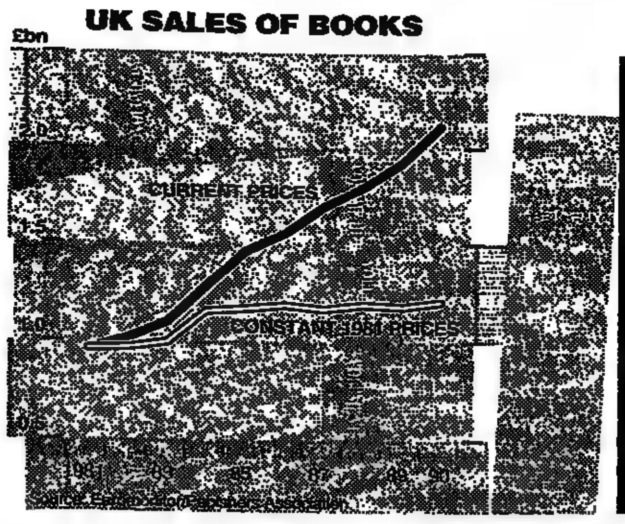
The critical question [illegible] industry is whether it would be able to cope with the end [illegible] the [illegible] at [illegible] time when it [illegible] already [illegible].

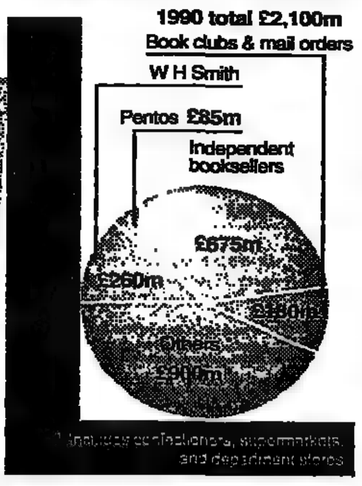
The [illegible] the industry is that the number of books [illegible] public – [illegible] account for two-thirds [illegible] the £2.1bn overall UK market, according [illegible] Euromonitor research consultancy – is down by [illegible] 10 and [illegible] per [illegible] on [illegible].

Publishers [illegible] to cut [illegible] by reducing the [illegible] of [illegible] printed [illegible] publishing fewer new titles. There have been thousands [illegible] job losses across the 18,000-strong industry. The Publishers Association recorded 600 redundancies in one month [illegible] earlier this year.

The impact [illegible] the recession has been intensified by the industry's internal problems. One problem is the backlog of high advances paid to authors in the 1980s, such as the estimated £625,000 paid to Michael Holroyd for his literary biography of George Bernard Shaw. These [illegible] paid on [illegible] which are being published [illegible] is depressed. [illegible] publishers will not recover their [illegible]ment.

The industry [illegible]ised by the acquisitions of the [illegible]. These [illegible] that created [illegible] multinational publishers such as HarperCollins, part [illegible] Mr Rupert Murdoch's [illegible] Corporation, and Random House, owned by Mr S I Newhouse, [illegible] US publishing magnate, [illegible] the Reed book business.





The battle [illegible] the NBA is certain to make book publishing [illegible] more competitive

The formation [illegible] the multi[illegible] was followed by [illegible] of restructuring as [illegible] reduced overheads by pooling [illegible] as sales, distribution, purchasing, printing and administration. This [illegible]uring [illegible] certainly [illegible] the job [illegible].

So [illegible] multinationals [illegible] had mixed success. Their supporters, such [illegible] Mr Alberto Vitale, [illegible] of Random [illegible] have already [illegible] impressive, though [illegible] improvements in productivity. Their critics, such [illegible] Mr [illegible] Evans, chairman of Faber, the independent London publisher, still say the culture of a large company is not compatible with "a batty business like publishing where profits fluctuate wildly from year to year".

However the multinationals could become more powerful in the future if the NBA disappeared and they were able to exploit the competitive advantage of size. Their ability to do so would depend on [illegible] the NBA's abolition encouraged [illegible] to demand higher discounts from their suppliers' publishers, thereby squeezing publishers' margins.

Publishers' margins [illegible] already under pressure because of the expansion of the large chains [illegible] book shops, notably W H [illegible] Pentos, during [illegible]. Euromonitor [illegible] one [illegible] every three [illegible] now [illegible] by just [illegible] chains.

These chains [illegible] been [illegible] negotiate higher discounts than small, independent booksellers. If the NBA disappeared they might demand even bigger discounts to help them to cut the price of books.

Mr Maher certainly intends to do so. At present Reed gets the same margins on the books it sells to Dillons, regardless of whether they are discounted.

Mr Maher said that, in future, *if Pentos orders 10,000 copies of* a novel he plans to discount, rather than the 1,000 he would usually order, he will expect better terms from the publisher.

Mr Maher, and the NBA's other critics, argue that, if the agreement were abolished, book sales would increase because retailers would be in a better position to promote their products. Some publishers are concerned that, even if he [illegible] right, [illegible] increase in sales might not be sufficient to compensate for the fall in their margins.

This [illegible] almost certainly intensify [illegible] pressure on small, [illegible]dependent publishing houses which, unlike the multinationals, would not be able [illegible] a reduction in prices by exploiting [illegible] benefits of economies [illegible] scale.

The small houses might then be squeezed out of mainstream publishing and be forced to become more specialist. Alternatively they might [illegible] forced [illegible] form links with the multinationals. One small London house, Sinclair Stevenson, has already sold a stake to Reed. Another, [illegible] Everyman Library, has delegated responsibility for distribution to Random House.

At the same time the NBA's abolition could make life more difficult for independent book sellers, given that they would not have the same clout as the [illegible] to demand high discounts from publishers to cut the price of books. In the US, [illegible] minimum [illegible] prices have long since been abolished, there are proportionally fewer mainstream independent bookshops, but small, specialist booksellers are flourishing.

If the same scenario were replicated in the UK, [illegible] in [illegible] cycle as big book chains and multinational publishers gained ground at the expense of some smaller players.

The polarisation [illegible] industry [illegible] very large and very small, specialist com[illegible] – both in publishing and retailing – [illegible] certainly accelerate.

The [illegible] over [illegible] NBA [illegible] certain [illegible] make book publish[illegible] more competitive. [illegible] publishers [illegible] it will [illegible] competitive. Mr [illegible] one. He [illegible] the industry [illegible] "not strong enough [illegible]" a book price war.

However, Mr Maher is convinced his campaign is not only unstoppable, but in the long-term interest of the industry. The end of the NBA would help it to sell more [illegible] as Dillons did this weekend with Winnie the Pooh.

Samuel Brittan

Why unemployment has risen so much

Why is it that when there are so many unsatisfied [illegible] people who would like [illegible] supply [illegible] wants are unemployed? This question drew me to the study of political economy. For a long time I wrongly believed that Keynes had solved the problem.

The most important research into this topic in the [illegible] decade has been that undertaken by Richard Layard's Centre [illegible] Labour Market Economics. Its very title suggests a necessary change of emphasis from Keynes's own absorption in financial issues. The centre is now being expanded into a Centre for Economic Performance. This is, therefore, [illegible] for [illegible] comprehensive account [illegible] findings.

Why has unemployment increased so much since [illegible], and why by [illegible] in [illegible] European Community than in [illegible] countries?

Market [illegible] or government regulation price workers out of jobs. How can [illegible] employers offset the effects of higher nominal pay by raising prices and restoring their original mark-up? They can try; but [illegible] will leave wage [illegible] feeling cheated and coming back for more. Unemployment has to be high enough to moderate wage earners' real expectations and thus to prevent a wage price spiral from gathering force. High unemployment will thus often [illegible] the *attempt* to obtain excessive real [illegible] rather than high [illegible] wages themselves. The authors call the process "wage pressure" and their explanation of it is a notable contribution to [illegible].

[illegible] accounts for [illegible] pressure? It is all too easy to explain in western Europe where union power and official policies increase the costs of hiring and firing. But how is it explained in the US, which is much less unionised? The [illegible] adopted the idea of "efficiency wages" as another [illegible] of wage pressure independent of unions and [illegible]. This [illegible] what misleading expression describes the well-known desire [illegible] employers to [illegible] more than the bare minimum, to retain and motivate a high-quality labour force. [illegible] a description [illegible] how [illegible] men think, the idea [illegible] obvious. But I find it unconvincing [illegible] economy-wide level.

[illegible] the [illegible] for wage [illegible] there [illegible] a minimum [illegible] unemployment required [illegible] prevent [illegible] chasing each other upwards indefinitely. This will be familiar [illegible] readers [illegible] the NAIRU – [illegible] non-accelerating inflation rate of unemployment. Layard sometimes call it "equilibrium unemployment". It is the stage to which the system will return when both boom and slump are behind us. It is the analogue in the labour market of what I called normal capacity operation in Thursday's Economic Viewpoint.

The authors find that unemployment will be higher, the longer benefit lasts and the higher [illegible]. It will also [illegible] higher [illegible] greater [illegible] union strength. [illegible] far, [illegible].

High unemployment often reflects the attempt to obtain excessive real wages

[illegible] more Fabian finding [illegible] that labour market policies such as training, counselling and last resort public works jobs do keep unemployment down. Another [illegible] union strength can [illegible] more than off[illegible] by [illegible] the [illegible] call corporatism – central co-ordination of pay bargaining. Co-[illegible] by employers is, however, shown [illegible] be three times as important as co-ordination by unions. Sweden still emerges as the model country.

The main reasons given for the large increase in the British equilibrium unemployment rate relate to distant happen[illegible], such as worsening terms of trade, increased union influence and more [illegible] all of which came [illegible] an end by the early [illegible]. The only up-to-date identified adverse influence is the increase in skill shortages in [illegible] given condition of the labour market.

The [illegible] freely admit that they have not provided [illegible] satisfactory explanation, given recent developments such [illegible] the reduction of union influence and the much [illegible] benefit regime. [illegible] possibility, left [illegible] by the authors, is that equilibrium unemployment has [illegible] been reduced and that once inflation has [illegible] stabilised [illegible] level appropriate to the ERM unemploy[illegible] will *fall* surprisingly in [illegible].

Layard's own [illegible] that the Thatcherite labour market [illegible] have [illegible] by [illegible] unfortunate [illegible] to decentral[illegible] bargaining which should [illegible] have been [illegible] part of them. I can see that a highly centralised bargaining [illegible], such [illegible] Austria's, [illegible] better [illegible] take into [illegible] economy-wide effects than British-style collective bargaining. But why should [illegible] from industry [illegible] company-wide negotiations, [illegible] one which [illegible] into [illegible] labour market conditions, [illegible] harmful, once [illegible] transitional [illegible] way?

[illegible] I [illegible] tried [illegible] to [illegible] on the [illegible] book for centralisation [illegible] governmental [illegible] rather [illegible] deregulation with weaker unions. But I [illegible] afraid [illegible] diagnosis as well as the policy recommendations. Readers, [illegible] grateful for the mass of work in one volume, will have [illegible] make [illegible] own allowances.

**Unemployment: Macroeco[illegible] performance [illegible] Market, R Layard, [illegible] Nickell [illegible] Jackman, Oxford, [illegible].*

UK UNEMPLOYMENT TREND

	1956-59	1960-68	1969-73	1974-80	1981-87	1988-90
[illegible]	2.24	2.62	3.39	5.23	11.14	7.27
Equilibrum rate [illegible]	2.2	2.5	[illegible]	7.3	8.7	8.7

LETTERS

US planners offer answer on traffic

[illegible] Mr Angus Dalgleish

Sir, The letter from Mr Alvarez-Moro (September [illegible]) highlights the apparent helplessness of European traffic authorities when trying to introduce simple, obvious measures [illegible] priority [illegible] vehicles. In [illegible] US they have [illegible] developing techniques for more [illegible] 20 years and have little difficulty in enforcing them. One traffic lane into Manhattan carries three times as many seated passengers in an hour as does any rail track into central London. There are many other successful examples of lanes used by buses and car-pools.

For transport planners in Europe, America might be on a different planet. They appear to know nothing or care nothing about what [illegible] been achieved there.

Angus Dalgleish,
Shouson Hill,
Ruxbury Road,
Chertsey KT16 [illegible]

Canada, not UK, on the up

From Nigel Wilkins

Sir, Edward Balls ("UK and Canada: similar problem, different solution", September 23) will have to look further afield than Canada to find a country whose government has mishandled [illegible] policy as badly as that [illegible] the UK.

The most striking difference between the two economies is that [illegible] economic recovery began during the early [illegible] while in the UK we are still searching [illegible] faint murmurings among the undergrowth.

[illegible] output measure [illegible] GDP in the UK [illegible] 0.9 per cent in the second quarter – [illegible] 3.7 per cent below its level [illegible] year earlier – [illegible] GDP [illegible] back with [illegible] 1.2 per [illegible] in [illegible] quarter, just 1.5 per [illegible] the previous year's figure. Unemployment has already [illegible]ed in [illegible]. In [illegible] UK, [illegible] the [illegible] hand, [illegible] have many months of grim news [illegible] of [illegible].

Nigel Wilkins,
8 Petersham House,
Harrington Road,
London SW7 3HD

Accusation of racism against union is 'absurd and ridiculous'

From [illegible] Gill.

Sir, Much [illegible] has been [illegible] spoken [illegible] our motion to this year's Trades Union Congress on inward investment.

Your story, "TUC [illegible] soothe Japanese" (September 21), [illegible] other things refers to [illegible] by Mr Edmund Dell, the former [illegible] secretary. He described [illegible] TUC resolution as "absurd, ridiculous [illegible] damaging".

Is it [illegible] absurd, ridiculous or damaging to campaign [illegible] British industry [illegible] be, by and large, controlled by British people? The report also referred to Gavin Laird's [illegible]sation [illegible] racism against MSF. This [illegible] "absurd [illegible] ridiculous", but fortunately [illegible] "damaging".

Practices which [illegible] contrary to [illegible] traditional British arrangements [illegible] properly described as alien. They would be alien whether introduced by Japanese or British companies. [illegible] on describing this use [illegible] language [illegible] are either illiterate or [illegible] being mischievous.

The [illegible] strategic approach [illegible] giant Japanese companies to industrial relations. There [illegible] no question that [illegible] companies [illegible] trying to undermine [illegible] union strength and [illegible] their insistence on company unions [illegible] no strike deals has seriously divided [illegible] union movement. It is certainly alien [illegible] and spirit [illegible] ILO [illegible] employer and [illegible] workforce [illegible] employees' union!

It [illegible] responsibility of [illegible] union leadership [illegible] pro[illegible] best international practice and prevent giant [illegible]tional corporations from trampling [illegible] demo[illegible] rights.

That [illegible] all the TUC resolution seeks [illegible] do. I am pleased [illegible] per [illegible] saw it this way. Even [illegible] employers' [illegible], [illegible] Dell should understand these [illegible].

Ken Gill,
MSF general secretary,
Park House,
64-66 Wandsworth Common,
[illegible] Side
[illegible]

Representation too unbalanced for more EC political control

From Mr D Arnot Shepherd

Sir, The Dutch presidency of the EC is proposing to give the European parliament greater legislative powers. Surely, before we go down this line the whole basis of representation through MEPs in the European parliament must be fundamentally altered.

Britain [illegible] been [illegible] exponent of democracy worldwide, based on one man one vote, yet here we are in Europe on an entirely false basis [illegible] representation.

At [illegible] European parliamentary [illegible] I [illegible] the average constituency per MEP in the UK, France and Germany was [illegible] member [illegible] 700,000 [illegible]. In the smaller countries such as Belgium and [illegible] Republic [illegible] Ireland it [illegible] about one member for 300,000-400,000 and in the case of Luxembourg [illegible] MEP represents [illegible] 100,000 [illegible].

The [illegible] this [illegible] that [illegible] in Luxembourg have 10 [illegible] the [illegible] political [illegible] as [illegible] in the UK so far as MEP representation [illegible].

It would be ludicrous [illegible] build [illegible] political control into [illegible] a thoroughly unbal[illegible] parliamentary represen[illegible]. The structure, as it is, is unworthy of further political significance [illegible] I [illegible] expect [illegible] themselves, [illegible] to be among the first to recognise the need [illegible] funda[illegible] change in [illegible] constitu[illegible] their own body.

D [illegible] Shepherd,
J [illegible] E Shepherd,
Chartered Surveyors,
13 Albert Square,
Dundee DD1 1XA

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution

'Indulgence' of Radio 3

[illegible]

Sir, The report [illegible] Lord Young's speech [illegible] Royal Television Society (September 23) [illegible] attention.

You quote him saying: "Radio [illegible] is [illegible] indulgence [illegible] should [illegible] abolished." Lord Young, in firing his salvo in anticipation, assumingly, of [illegible] renegotiation of [illegible] BBC Charter, [illegible] major [illegible] quality, cultural [illegible] the existence [illegible] one of the world's [illegible] public radio [illegible].

The reduction [illegible] colour television licence [illegible] reported [illegible] argument for the [illegible]tion [illegible] the "indulgence" is hopefully [illegible] view of [illegible] currently [illegible] office.

Ian Simons,
[illegible] Park,
[illegible] W11 3TG

Power report not doctored

From [illegible] Andrew [illegible]

Sir, You reported (September 20) the [illegible] minister [illegible] development's view that my report on UK aid to six Large Power Generation [illegible] was "doctored".

I would like [illegible] clear [illegible] changes [illegible] did [illegible] between the [illegible] February [illegible] the last, [illegible] July 1990, [illegible] result [illegible] pressure from British business or from politicians. Indeed, all [illegible] from [illegible] business [illegible] included as a separate addendum [illegible] report. Ann Clwyd's comments [illegible] I have had from any politician!

Despite the changes, [illegible] final report remains highly critical of these particular power projects. Readers of the report [illegible] left in little doubt that [illegible] system for providing concessional [illegible] the power sector [illegible] considerable improvement – not [illegible] because there [illegible] future for companies if [illegible] significant proportion [illegible] equipment they sell [illegible] maintained and provides costly power [illegible] locations not in need of it.

I take it from Ann Clwyd's press release that we can expect [illegible] avalanche of declassified documents, come [illegible] next election!

Andrew Barnett,
33 Southdown Avenue,
Brighton BN1 6EH

FINANCIAL TIMES
Monday September 30 1991

Palestinian 'parliament' clears obstacles to indirect PLO representation at conference

Arafat wins mandate for peace summit

By Tony Walker in Cairo, Hugh Carnegy in Jerusalem and Lamis Andoni in Algiers

MR Yassir Arafat, the Palestine Liberation Organisation chairman, [redacted] emerged from [redacted] of the Palestinian "parliament" with his hand strengthened for delicate negotiations aimed at ensuring Palestinian representation [redacted] a proposed Middle [redacted] conference.

The five-day session of the [redacted] National Council, concluded [redacted] the weekend, [redacted] Arafat [redacted] relatively flexible [redacted] "yes" to a summit without direct [redacted] involvement. However, significant [redacted] remain to Palestinian representation.

Israel, which signalled satisfaction with [redacted] Algiers declaration, insists it will not deal with what it calls the "terrorist" PLO.

The PNC [redacted] to nominate [redacted] to the [redacted] summit from Palestinians inside and [redacted] territories occupied [redacted] Israel in [redacted] war, including Arab East Jerusalem. Israel [redacted] talk to Palestinians from the [redacted] sector, saying this would undermine its claims to a united Jerusalem [redacted] eternal capital.

In Algiers, Mr Arafat said the "[redacted] now in the [redacted] court", a [redacted] to the role [redacted] US, [redacted] Union, the United Nations, [redacted] and [redacted] participants in the [redacted]posed summit.

[redacted] if [redacted] PNC [redacted] amounted [redacted] ment [redacted] attend the [redacted] conference, Mr Arafat replied: "We [redacted] the right to put [redacted] and requests."

[redacted] including Syria, Jordan, Egypt and Lebanon, [redacted] agreed [redacted] attend the planned summit. Israel [redacted] given conditional agreement to participate, provided the issue of Palestinian representation is resolved to its satisfaction.

Washington is prodding the Palestinians [redacted] form a joint delegation with Jordan [redacted] round an Israeli veto.

The PNC declaration, agreed by an overwhelming majority of the about 300 [redacted] present, called for [redacted] on the following [redacted] PLO officials [redacted] were flexible:

- UN [redacted] and 338, calling for Israeli withdrawal [redacted] land occupied in [redacted] and 1973 [redacted], should [redacted] implemented;
- Jerusalem should [redacted] regarded [redacted] integral part [redacted] the occupied [redacted]
- Jewish settlements [redacted] territories, including in Jerusalem, should [redacted] halted;
- The PLO should be entrusted with the right to form the Palestinian delegation [redacted] peace conference.

In New York, the [redacted] secretary of [redacted] Mr James Baker, welcomed a Palestinian declaration backing [redacted] Middle East [redacted] conference, but said [redacted] still not ready to [redacted] invitations to the meeting.

Arab [redacted] including Egypt and Jordan, welcomed the [redacted] Algiers declaration. In Amman, Mr Taher al-Masri, Jordan's prime minister, said the PNC had "dealt with events with realism and adopted resolutions that will help in implementing international legitimacy and easing the suffering of the [redacted] people".

Mr Yitzhak Shamir, [redacted] prime minister, [redacted] PNC's conditional support for [redacted] peace conference, while acknowledging a conference would probably take place.

He is keen to underscore Israel's refusal to grant any role in peace [redacted] to the PLO, which dominates the PNC. But he also tacitly acknowledged that the [redacted] stance left [redacted] the way [redacted] plans for a [redacted] conference.

At [redacted] time he expressed concern that [redacted] US [redacted] loan guarantees to help fund Soviet Jewish immigration undermined [redacted] US role as impartial [redacted] Three right-wing factions, whose seven seats [redacted] Mr Shamir's coalition its parliamentary majority, threat[redacted] pull [redacted] government if the prime minister [redacted] conference.

Mobutu to form unity government

Continued from Page 1

yet break down amid [redacted] conflict. The chances [redacted] the new government succeeding will depend [redacted] how much [redacted] Mr Mobutu surrenders, particularly [redacted] army.

[redacted] yesterday, surrounded by his heavily-armed [redacted] presidential bodyguard, Mr Mobutu looked [redacted] and relaxed.

Despite fears that his new-found [redacted] tion [redacted] a delaying tactic, [redacted] leaders [redacted] optimis[redacted] they will [redacted] rule freely and prepare the way for Mr Mobutu's exit.

"Mobutu may [redacted] accept that his rule is over but, with the pressure [redacted] people, we will impose the reality [redacted] him," Mr Tshisekedi said. "As prime minister I [redacted] consult with him or have anything to do with him. I will [redacted] the people."

President Mobutu Sese Seko walks to the Marble Palace in Kinshasa [redacted] discuss the formation of a crisis government

Entry to narrow band of ERM [redacted] likely after upbeat forecast

Madrid sets conservative budget

By Peter Bruce [redacted] Madrid

SPAIN'S finance minister, Mr Carlos Solchaga, presented the outline of his conservative bud[redacted] at the [redacted] with a promise [redacted] will herald a "[redacted] recovery" for the economy.

Analysts believe the budget raises the likelihood of the peseta making an early entry into the narrow band of the exchange rate mechanism of the European Monetary System.

Mr Solchaga [redacted] public spending would rise to Pta13,600bn ($127bn), an 8.4 per cent increase on 1991. Income would increase by 11.2 per cent to Pta12,600bn, leaving a budget deficit worth just 1.6 per cent of gross domestic product.

That, however, is a considerable step back from this year's target deficit, which has been hit by massive public spending overruns. While Mr Solchaga has been able sharply to trim infrastructural spending next year, [redacted] has been forced by Mr Felipe Gonzalez, [redacted] prime minister, [redacted] make steep [redacted] in social security and health spending.

With public sector borrowing having risen so sharply this year, the amount set aside to buy back government debt will [redacted] 26 per cent to nearly [redacted]

Mr [redacted] agreed that the budget might be mildly inflationary. However, his upbeat remarks about [redacted] interpreted by [redacted] analysts in Madrid [redacted] hint that Spain might [redacted] preparing to move [redacted] narrow band [redacted] the [redacted] ERM. [redacted] peseta, like sterling, [redacted] currently allowed to fluctu[redacted] by 6 per [redacted] ERM currencies.

The Spanish have always stipulated that a precondition for moving to the narrow band is the lifting of all capital and tariff barriers. This has just been done, though Mr Solchaga [redacted] that entry [redacted] imminent.

It [redacted] thought that Spain's decision [redacted] switch bands will be heavily influenced by political considerations, in the same way as was its original decision to enter ERM in 1989.

Mr Gonzalez [redacted] deepen – not widen – the European Community. [redacted] may feel [redacted] Spanish commitment [redacted] tighter [redacted] monetary discipline would help [redacted] to reach [redacted] union [redacted] EC summit in Maastricht, [redacted]

Narrow band membership might also strengthen [redacted] Spanish [redacted] for the establishment of [redacted] new [redacted] compensation fund to channel Community funds south.

[redacted] membership [redacted] the narrow band, in which it could fluctuate by only [redacted] per cent, would involve a substantial and [redacted] lowering [redacted] Spain's high real interest [redacted]

[redacted] cut [redacted] also be required to reignite the rapidly cooling economy. This explains why Mr Solchaga's remarks have fed speculation about an early narrow band membership.

It is widely believed that the inflationary results of any substantial fall in interest rates would be met with a ferociously restrictive budget for 1993. This would occur only after a mid-1992 general election to take advantage of economic recovery, the 1992 Olympics in Barcelona and Expo 92 in Seville.

Mr Solchaga said he expected inflation to be 5 per cent by [redacted] 1992. This is an upward revision of the draft 4.5 per cent target set two months [redacted] Inflation this year was supposed [redacted] fall to 5 per [redacted] but looks likely to be around 5.6 per cent by the end of the year.

SDP hit by economic hardship in Bremen

By Christopher Parkes in Bonn

THE rising tide of xenophobia in Germany yesterday cost the SPD its overall majority in the [redacted] parliament, and gave the extreme right-wing DVU an estimated six seats.

The Christian Democratic Union, Chancellor Helmut Kohl's party, [redacted] a strong showing, raising [redacted] four [redacted] Although the result goes some way [redacted] compensating Mr Kohl [redacted] his party's [redacted] in [redacted] elections [redacted] this year, it still leaves [redacted] as the majority [redacted] in Bremen.

Its share [redacted] fell [redacted] more than 50 per [redacted] around [redacted] giving [redacted] an estimated [redacted] chamber, against 32 [redacted] CDU (25).

There was speculation [redacted] night [redacted] an SPD [redacted] with the Greens, holding steady with [redacted] 9 and [redacted] per [redacted] vote, and retaining 10 seats, was possible. Until yesterday, [redacted] had ruled [redacted] alone [redacted] 20 years.

The [redacted] the FDP, [redacted] CDU's [redacted] partner in the national government, was unchanged [redacted] around 10 per [redacted]

Ms Ilse Janz, head [redacted] SPD, [redacted] was "deeply shaken" by [redacted] result, and her CDU opponent [redacted] Neumann said it was "sensational", but all mainstream parties [redacted] the [redacted] the DVU. [redacted] right-wing group first [redacted] the Bremen parliament in [redacted] with just one [redacted]

During the campaign the CDU [redacted] local ruling party [redacted] task for the over-liberal [redacted] of senior [redacted] the [redacted] in Bonn towards the problems the country [redacted] in dealing with the flood [redacted] people seeking refuge in [redacted]many under the protection [redacted] its liberal asylum laws.

Upto 250,000 people are expected [redacted] crowd into Germany this year.

Wishful thinking and toxic wastes

By Anthony Harris

THE polls are now forcing the government [redacted] put its hopes where its convictions can hardly be: in economic forecasts. Forecasts have [redacted] unreliable; but the Treasury seems to get more confident with every disappointment. Since model-builders hate to scrap their handiwork, their obstinacy is understandable [redacted] human terms. However, the ministers [redacted] choose [redacted] believe are showing more faith than reason.

The UK recovery [redacted] supposed to be consumer-led; [redacted] those who depend on [redacted] demand for business rather [redacted] for [redacted], you will [redacted] hear of recovery. The mass market [redacted] hope for some Christmas revival, but see no [redacted] of it yet; [redacted] luxury [redacted] are in worse shape. Exports, then? The boom in car exports, mainly [redacted] Germany, [redacted] has produced the illusion [redacted] dynamic growth [redacted] already [redacted]ing. Meanwhile, [redacted] Europe is slowing down. Industrial investment? Don't be silly.

If you can't find evidence, [redacted] The optimists tell us that recovery [redacted] never [redacted] until [redacted] it has happened, that the continued [redacted] in bankruptcies and sackings [redacted] normal in [redacted] early [redacted] of a recovery; this is [redacted] perfectly true, but [redacted] things also happen when [redacted] isn't a recovery. The darkest hour may [redacted] just [redacted] the dawn, but it [redacted] dark [redacted] night, [redacted]

I would much prefer [redacted] brief [redacted] describe the UK economy to the Labour get-together than to try to provide support for Conservative wishful thinking

Alternatively, we are [redacted] that [redacted] turnround in confidence shows [redacted] the faith [redacted] the [redacted] widely shared. This would be impressive if it were true; but if [redacted] look at the surveys closely, you will see that they are concerned with short-term developments. They [redacted] the [redacted] period with the current [redacted] All [redacted] they really say, then, is [redacted] industry no longer expects [redacted] get [redacted] which is something short of a trumpet [redacted] It is, pretty much what the pessimists are saying. The pessimists could still be proved wrong; [redacted] is [redacted] such thing as [redacted] reliable forecast. A recovery is possible, but don't [redacted] on it.

At [redacted] moment, I would much prefer [redacted] to [redacted] the UK economy to the Labour Party get-together this week than to try to provide [redacted] Conservative wishful thinking. It is interesting [redacted] the UK government's statements with [redacted] of the [redacted] authorities. [redacted] by both are rose-tinted; but [redacted] who has [redacted] about re-election, takes them with a large pinch of salt.

The [redacted] for some sort of recovery in [redacted] is stronger than [redacted] the UK. It is hesitant and disappointing, but export growth at [redacted] broadly based [redacted] long [redacted]tained. But the authorities do not thump their chests. The Fed goes on reporting weak activity and cutting [redacted], benignly neglecting the exchange rate. The [redacted] more [redacted] complains that [redacted] prudential [redacted] on [redacted] credit, hardly mentioned in London any more – [redacted] inhibiting [redacted]

Investors seem to prefer frank grumbling [redacted] propaganda: [redacted] is [redacted] who are voting [redacted] recovery. Even after [redacted] bull run [redacted] year, [redacted] price/earnings ratios are only [redacted] point or so [redacted]ages, and nearly [redacted] third [redacted] their peak in 1987. The [redacted]dard and Poor's industrials, on [redacted] look somewhat exposed, over 21 and less than three points below the speculative peak in 1987. (This [redacted]gests [redacted] a [redacted] prefer to hold his stake in US prospects through a [redacted] company.)

The bond [redacted] provides an [redacted]pinning [redacted] markets. The US yield ratio, at just over [redacted] well [redacted] normal range and miles below its exposed peak of nearly 3.6, four years ago. In [redacted] the multiple is only just [redacted] 2, compared with [redacted] peak [redacted] as high as Wall Street. This [redacted] to [redacted] the case [redacted] London, but only only [redacted] to [redacted] the fact [redacted] British interest rates cannot in the foreseeable future fall as [redacted] as those now in prospect in the US. Again, the real moral is that London is an attractive route to the outside world rather than to the constrained UK economy.

[redacted] consideration of earnings makes one a good [redacted] queasier about the dome[redacted] outlook. The current p/e ratio may look reasonable historically; but what is [redacted] quality [redacted] the [redacted] In too many companies, they seem [redacted] bear more evidence of creative accounting than of performance.

The current fashion for white collar redundancies rep[redacted] not only economy, but [redacted] cut in provision for the future. [redacted] do some economies which cannot [redacted] read from [redacted] but only [redacted] the results of service industries – for example, the poor [redacted] results of specialists in toxic waste disposal. [redacted] has [redacted] for the future.

There is a real danger that institutional pressure for ever-rising dividends [redacted] making equities more risky, not less. Some companies will be able to reveal and absorb their currently hidden costs when times [redacted] only in disappointment about profits growth. [redacted] – every analyst has his [redacted] little list – are [redacted] is euphemistically called "managing for a takeover". This is [redacted] hollowing-[redacted] process, a kind [redacted] tion voluntary liquidation. [redacted] capital [redacted] distributed [redacted] dividends; the [redacted] surprises are left for [redacted] unwary bidder.

Others are doing what is euphemistically called "managing for [redacted] takeover". This [redacted] a hollowing-out process, a kind of slow-motion voluntary liquidation

There is also a political reason for playing it short. As long as there is a realistic possibility of [redacted] Labour government, there [redacted] also [redacted] possibility [redacted] very sharp rise in [redacted] gains [redacted] provides [redacted] entrepreneurs to [redacted] gains sooner rather [redacted] later. This is possibly just a matter of bed and breakfast – but not [redacted] be relied [redacted] appear for breakfast. [redacted], it is the short term [redacted] price which matters.

Deplorable, you [redacted] think; but if any company managers are behaving [redacted] this, they can claim a political model. What are the toxic [redacted] hid[redacted] in the [redacted]blic accounts?

EC row will dominate meeting

Continued from Page 1

cial co-operation into additional, separate treaties to the Rome text, keeping them as areas of inter-governmental co-operation between the Twelve.

The Dutch upset many of their partners by putting the two new policy areas into a single draft treaty, radically amplifying the powers of the Strasbourg parliament and further extending majority voting in the Council of Ministers.

Among the most influential members, Germany backs the Dutch draft and insists on greater powers for Strasbourg as its main condition for economic and monetary union (Emu). France would tolerate a stronger parliament in return for German commitment to Emu.

Even if the Dutch backtrack, many of their ideas, especially on the parliament, will stay on the agenda.

British banks attack plans for photographs on credit cards

By David Barchard [redacted] London

A PLAN by [redacted] British government [redacted] introduce photographs on [redacted] and cash machine cards is being [redacted] by the banks [redacted] it of trying to introduce a national identity card by the back door.

The banks also say that forcing them to put their customers' photographs on [redacted] would have little or no effect in stamping out credit card fraud.

They fear retailers would not [redacted] much more [redacted] photographs than they [redacted] signatures at present.

Mr Kenneth Baker, the British home secretary, and Mr John Patten, home office minister, have been pressing the banks [redacted] photographs on credit [redacted] for several [redacted] through APACS, the inter-bank association for payment clearing systems.

This follows a report on bank and cheque card fraud by Professor Michael Levi of Cardiff University [redacted] this year. He said that public opinion would not resist the idea of [redacted] photograph on a bank card.

Prof Levi warned, however, that it might not bring direct [redacted] the financial institutions themselves.

Banks regard this as an indication that the government's *primary motive in making the* proposals, which would affect holders of more than 30m cards in the UK, is to ensure that most citizens carry some form of photographic identification.

The banks are to consider a common response early this week. In spite of their hostility, they are reluctant to confront the government directly. They believe that they could face a campaign against them comparable to the row over banks and their interest rates for small businesses earlier this year. Some senior bankers privately regard this campaign as politically-inspired.

A note setting out the banks' common position on the introduction of photographs has so far run through more than 20 versions.

The note would lay the ground for a meeting [redacted] the government and [redacted] next month.

Credit card fraud is rising sharply in the UK. Last year it cost about £130m ($226m). This year's losses will be about £160m and the banks accept that losses could be more than £200m a year in a few years.

However, they regard photographic identification as potentially less reliable than greater use of personal identification numbers on cards or the introduction of smart cards with encoded information on [redacted] microchip to identify their owner by electronically verifying his or her signature.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	25	77
Algiers	F	28	82
Amsterdam	R	14	57
Athens	[redacted]	[redacted]	82
Bahrain	[redacted]	[illegible]	81
Bangkok		–	–
Barcelona	R	17	63
Beirut		–	–
Belfast	F	11	52
Belgrade	S	29	84
Berlin	[redacted]	17	63
Biarritz	[redacted]	19	66
Bombay		–	–
Bordeaux	C	18	[redacted]
Boulogne	F	17	[redacted]
Brussels	F	18	64
Budapest	S	25	77
Buenos Aires		–	–
Cairo	S	33	91
Cape Town	S	22	72
Caracas		–	–
Casablanca	R	19	66
Chicago		–	–
[redacted]	S	16	61
Copenhagen	R	13	55
Corfu	F	28	82
Dallas		–	–
Dublin	F	12	54
Dubrovnik	F	[redacted]	79
Edinburgh	C	[redacted]	50
Faro	S	21	70
Florence	C	25	77
Frankfurt	S	[redacted]	61
[redacted]	R	13	55
[redacted]	S	21	70
[redacted]	F	11	52
Helsinki	F	11	52
Hong Kong		–	–
Innsbruck	C	20	68
Inverness	F	10	50
Islamabad		–	–
Istanbul	S	26	79
Jakarta		–	–
Jersey	[redacted]	16	61
Johannesburg	S	21	70
Lima		–	–
Lisbon	R	19	66
London	C	16	61
Los Angeles		–	–
Luxembourg	C	13	55
Madeira	C	20	68
Madrid	C	15	59
Majorca	F	20	68
Malaga	[redacted]	[illegible]	59
Malta	[redacted]	30	86
Manchester	R	11	52
Manila		–	–
[redacted]	[redacted]	16	61
Mexico City		–	–
Miami		–	–
Milan	R	19	66
Montreal		–	–
Moscow	C	11	52
Munich	[redacted]	[redacted]	75
Nairobi	S	27	81
Naples	S	27	81
Nassau		–	–
New Delhi		–	–
New York		–	–
Nice	[redacted]	17	63
Nicosia	S	29	84
Oporto	F	17	63
Oslo	S	11	52
Paris	F	19	66
Peking	S	23	73
Prague	S	[redacted]	68
Reykjavik	F	[redacted]	45
Rhodes	S	30	86
Rio de Janeiro		–	–
Rome	F	26	79
Salzburg	F	23	73
San Francisco		–	–
Seoul	S	21	70
[redacted]	F	30	86
[redacted]	S	13	55
Strasbourg	R	14	57
Sydney	S	24	75
Taipei		–	–
Tangier	F	20	68
Tel Aviv	S	29	84
Tenerife	S	25	77
Tokyo	C	23	73
Toronto		–	–
Tunis	S	30	86
Valencia	F	21	70
Venice	S	24	75
Vienna	S	23	73
[redacted]	S	[redacted]	[redacted]
Washington		–	–
Zurich	S	13	55

Temperatures at midday yesterday C–Cloudy [redacted] F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet [redacted] T–Thunder

هكذا من الأصل

FINANCIAL TIMES
COMPANIES & MARKETS
Monday September 30 1991

INSIDE

Ferfin hopeful despite fall

Ferruzzi Finanziaria (Ferfin), [redacted] financial holding [redacted] controlling the [redacted] son group, [redacted] "moderately [redacted] results" for the year in [redacted] a first-half fall in group [redacted] profits [redacted] minority [redacted] L83bn ($66m) [redacted] L180bn [redacted] year. Page 23

Decision day for Molins

Molins, maker of specialised machinery [redacted] the [redacted] industry, could [redacted] today the result of its 18-month battle for independence against US [redacted] conglomerate Leucadia National. It will [redacted] counting proxies for [redacted] EGM, at which Leucadia, with [redacted] 48.5 [redacted] cent stake, will try for the second time to win control [redacted] the board. [redacted] 22

Bids lift bankers' spirits

The recent spate of takeover bids in Britain [redacted] lifting the spirits [redacted] hoping for [redacted] busy final quarter in [redacted] syndicated [redacted] market. Top of [redacted] BTR, the industrial conglomerate bidding nearly £1.5bn for engineering [redacted] Siddeley. Page [redacted]

Italian bonds ignore bad news

In spite of political [redacted] uncertainty the Italian government bond market staged a strong rally in September. On [redacted] one [redacted] government [redacted] nearly brought [redacted] last week by divisions [redacted] 1992 budget package. On the other, an [redacted] economy warned the country [redacted] dangerously out of [redacted] with [redacted] main trading partners. Page [redacted]

Dawn of the disposable PC?

The era of [redacted] disposable personal computer [redacted] be around the corner. Chips [redacted] Technologies, a [redacted] Valley supplier [redacted] semiconduc[redacted] components [redacted] personal computers, today [redacted] a "single-chip personal computer" [redacted] promises to [redacted] cost and [redacted] PCs down to calculator proportions. [redacted] 23

Market Statistics

Base lending rates	33	[redacted] fund service	[redacted]
Euromarket turnover	23	Money markets	33
FT-A World indices	33	New int bond issues	25
FT/AIBD [redacted] bond svce	24	NRI Tokyo bond index	22
Foreign [redacted]	33	US money market rates	24
London [redacted]	33	[redacted] yields	[redacted]
London [redacted]	34-35	[redacted] indices	[redacted]

Companies in this issue

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Gardner (DC)	22	Panfida	22
Goodwin	22	Polly Peck	22
Jacks (Wm)	22	Westpac	23

Berlin banks poised for merger

By Christopher [redacted] in Bonn

MOVES are [redacted] a world-ranking financial [redacted] based in Berlin which [redacted] involve Britain's Barclays Bank and Crédit Lyonnais of France as significant shareholders.

[redacted] are preparing draft legislation [redacted] merge the city's majority [redacted] in [redacted] liner Bank, [redacted] Landesbank Berlin, Wohnungsbau-Kreditanstalt Berlin and the mortgage group Berliner Pfandbrief-Bank under the umbrella [redacted] a new company, Berliner [redacted] Holding [redacted].

It is expected to be discussed in the [redacted] parliament next month, according to Der Spiegel, the [redacted] man weekly news magazine.

With [redacted] business volume of more than DM120bn ($71bn), BBH would become the sixth largest commercial bank in Germany. In [redacted] shareholder equity its DM5.2bn [redacted] make it fourth-equal with Bayerische Vereins[redacted] and Hypobank. Credit busi[redacted] according to Der Spiegel, could reach DM36bn.

The magazine said the city would retain a majority stake in the new [redacted] and [redacted] per cent would [redacted] held by the Gothaer Versicherung insurance group linked via cross shareholdings to the Berliner Bank.

About 15 per [redacted] would [redacted] in [redacted] market, and negotiations were under way for the balance to be taken up by Barclays and Crédit Lyonnais.

Quoting from documents prepared by Berliner Bank [redacted] Landesbank Berlin, the magazine [redacted] should "enable the Berlin financial [redacted] industry [redacted] play [redacted] more authoritative role in the new states of [redacted] Germany, the development of east European markets and in the European Community."

Berliner Bank, which last year reported a 16 per cent earnings rise in the wake of rapid expansion in the east, has already swallowed up the former eastern Berliner Stadtbank, and has been waiting for months for permission from the state authorities to merge with Landesbank Berlin.

Crédit Lyonnais is believed to be keen to reinforce German links to ease access to the east.

Leading private-sector [redacted] in Germany

Ranking (1990 business vol)	DMbn
[redacted] Bank	[redacted]
Dresdner Bank	286.9
Commerzbank	[redacted]
Bayerische Vereinsbank	[redacted]
Hypobank	176.0
Berliner [redacted] AG*	** 120.0
[redacted] für Gemeinwirtschaft	[redacted]
BHF-Bank	44.2

[redacted] Der Spie[redacted]

SA fund fails to tempt investors

By Sara Webb and Richard Waters in London

THE first investment fund designed [redacted] tempt international investors back into South African shares has flopped, marring the country's return to the international capital markets.

Old Mutual, South Africa's largest life insurance company, called off its planned fund [redacted] the end of [redacted] recent township violence dampened foreign [redacted] enthusiasm. The launch [redacted] fund, to [redacted] been listed on [redacted] London Stock Exchange, [redacted] made [redacted] the Johannesburg [redacted] Exchange reached its all-time high.

The failure of Old Mutual South [redacted] Fund to reach [redacted] minimum investment of $50m [redacted] come [redacted] blow to Smith New Court, the London brokers who sponsored the fund. Two other investment houses, Baring Securities and [redacted] Investment Management, recently decided not to launch funds investing in South African equi[redacted] after preliminary soundings revealed insufficient interest.

South [redacted] returned to the international [redacted] markets less than [redacted] an absence of [redacted] with a DM400m Eurobond led successfully by Deutsche Bank. Other South African borrowers are now lining up [redacted] the [redacted] markets.

In spite [redacted] failure, Old Mutual plans to continue monitoring [redacted] interest in South African equities and may relaunch the fund later if conditions prove suitable.

[redacted] said that [redacted] initial [redacted] in a South African fund, it decided not [redacted] push ahead with [redacted] launch because it felt it would be unable to raise its minimum [redacted] get of $25m. Genesis said recent outbreaks of township violence deterred some investors.

Meanwhile, Baring Securities shelved plans to launch a South African fund because it was worried its fund management arm – Baring Asset Management – would lose valuable US state pension business as a result of an [redacted] with South Africa.

Smith New [redacted] a leading market maker [redacted] South African shares in London, anticipated demand for the Old Mutual fund from UK and continental European institutions, many of which it believed were changing their views on South African investment following recent political changes.

The Johannesburg [redacted] Exchange index of industrial companies stands almost 50 per cent higher than in January.

The odd couple of the computer world

Louise Kehoe talks to Apple's John Sculley on the eve of the alliance with IBM

John Sculley opens his briefcase [redacted] conjurer [redacted] produce [redacted] rabbit [redacted] hat. Inside [redacted] a laminated security badge giving the Apple Computer chairman [redacted] temporary employee [redacted] International [redacted] Austin, Texas, [redacted].

"[redacted] my souvenir," grins Mr Sculley. "This [redacted] all [redacted] nobody knew [redacted] it."

Mr Sculley's mission was to [redacted] an [redacted] with Apple's [redacted] and most bitter rival, [redacted] that could radically alter the course of the $90bn personal computer [redacted] in [redacted] 1990s.

IBM and Apple will announce [redacted] final terms and [redacted] their collaboration later [redacted] week. The companies [redacted] agreed to broad co-operation in the development of a new generation of PC technology. [redacted] joint [redacted] develop new PC sys[redacted] software which defines the [redacted] functions of [redacted] computer.

Mr Scully acknowledges that "a few years ago it would [redacted] been [redacted] and IBM [redacted] partners. However, much [redacted] changed [redacted] 1984 when Apple [redacted] a million dollars [redacted] TV commercial that [redacted] Blue as Big Brother.

Today, IBM and Apple face common challenges. Both are struggling to commercialise technology faster, and both are attempting to revitalise their corporate strategies.

During the 1980s, Mr Sculley says, Apple was "a [redacted] player in a high-growth [redacted] computer industry". In the [redacted] he aims [redacted] "bring Apple into the mainstream" [redacted] corporate [redacted] puting.

The IBM alliance [redacted] Mr Sculley's [redacted] "agenda", involving some radical changes [redacted] Apple. The [redacted] will abandon the proprietary software strategy used for the past decade to differentiate [redacted] products from those of other [redacted] makers in favour of "open" software licensing.

"At Apple this is like walking into the Vatican and renouncing Catholicism," Mr Sculley [redacted].

[redacted] acknowledges [redacted] Apple will have to compete [redacted] IBM and other PC makers [redacted] price [redacted] delivery [redacted] products, and by offering more attractive "solutions" [redacted] needs.

The [redacted] of going head to [redacted] with the world's biggest [redacted] manufacturer and with both companies offering similar products [redacted] worry Mr Sculley. "I spent most of my life competing like that," [redacted] the [redacted] president of Pepsi-Cola, where he spearheaded a marketing battle with Coca-Cola before joining Apple eight years ago.

Before approaching IBM a year ago to suggest a technology development alliance, Mr Sculley and Mr [redacted] Spindler, Apple president, [redacted] months with their counterparts in the world computer and electronics industries exploring grounds [redacted] co-operation.

The search [redacted] partners [redacted] prompted by Mr Sculley's realisation that "Apple would [redacted] irrele[redacted] in the 1990s," [redacted] he [redacted] the company "could not [redacted] it all alone".

In stark [redacted] his [redacted] siasm today [redacted] the future of Apple, Mr Sculley admits to past [redacted] "Two years ago, I felt that Apple was not going to be [redacted] company that shaped the industry in the 1990s, [redacted] the way it had throughout the 1980s," he says.

New product introductions had been delayed and Apple was losing market share to competitors. It was also evident that Micro[redacted] Windows 3.0, [redacted] providing IBM-compatible [redacted] puters with many Apple Macintosh features, [redacted] Apple's competitive position.

Mr Sculley [redacted] putting Apple on [redacted] new track beginning with top management changes including [redacted] stormy departure of Mr Jean Louis Gassée, and the appointment [redacted] Mr Spindler, [redacted] merly Apple's top European executive, [redacted] chief [redacted] officer, [redacted] president, [redacted] Apple.

With Mr Spindler looking [redacted] day-to-day operations, Mr Sculley [redacted] charge [redacted] Apple's technology development in an effort to speed new products to market.

Apple launched lower-priced Macintosh products last October in [redacted] bid to increase the company's market share. This [redacted] tegy [redacted] increased [redacted] sales volume, but [redacted] prices led to reduced profit margins [redacted] cost-cutting [redacted] layoffs.

[redacted] month, Apple will launch notebook computers and [redacted] high-performance desktop version [redacted] the [redacted]. "[redacted] will have caught up in the [redacted] segments where [redacted] been behind," Mr Sculley says.

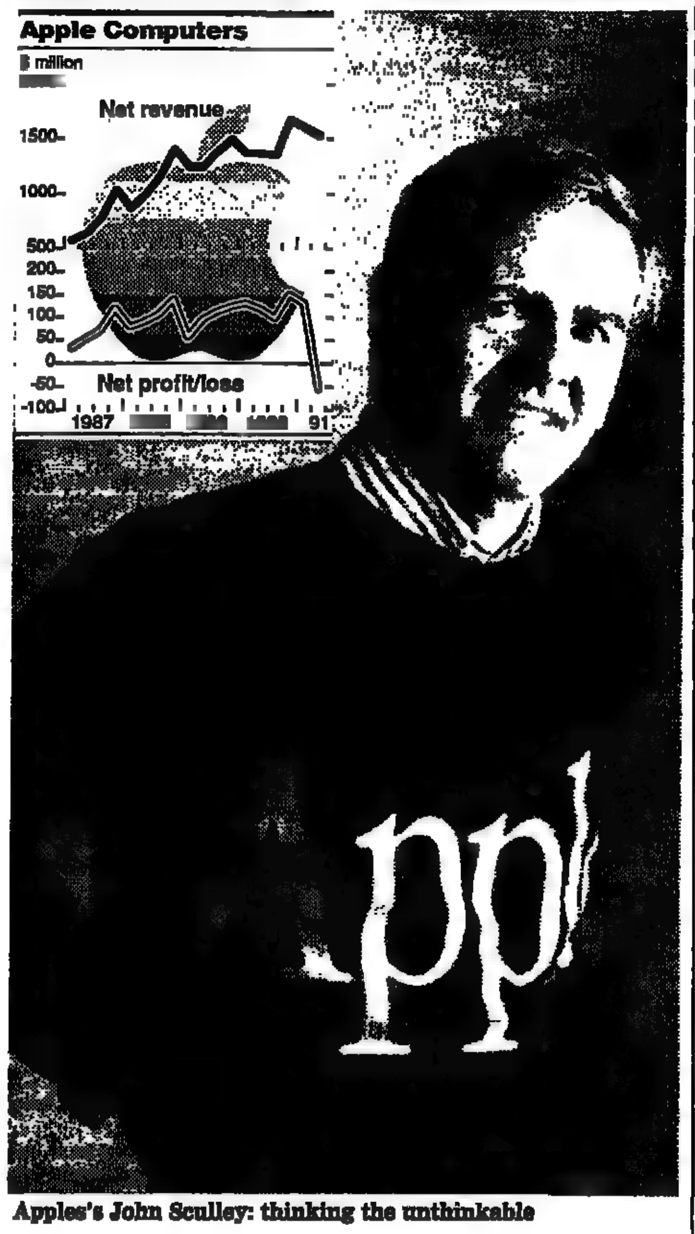
Mr Sculley has been developing Apple's product strategy for the 1990s when he expects the [redacted] role will be redefined.

He sees the PC industry splitting into two groups; one driven by [redacted] "enterprise systems", the other by miniaturisation and mobility.

In corporate computing, the PC is becoming vital in company-wide multi-vendor computer networks. Miniaturisation, however, is transforming the PC into a por[redacted] personal communications and computing tool. With appropriate applications software, [redacted] could create a consumer [redacted] boom.

[redacted] product lines for both [redacted] segments. "[redacted] alliance with IBM will help Apple [redacted] create a line of PCs for the corporate market. Apple will also continue to build on its Macintosh product line "throughout the rest of the decade", Mr Sculley says.

On the consumer side, "we can play [redacted] big role because we know how to make technology easy to use", says Mr Sculley. He enth[redacted] about the potential of the miniaturised PC as a "personal communications" device.



Apples's John Sculley: thinking the unthinkable

Crowding out UK growth in the ERM

Economics Notebook

By Peter Norman

THE FIRST anniversary [redacted] Britain's membership of the exchange [redacted] the European Monetary System falls at the end [redacted] this week just as [redacted] annual public expenditure round enters its final difficult month.

[redacted] first, [redacted] appears no special reason [redacted] link [redacted] events. But [redacted] by [redacted] ESRC Macroeconomic Modelling Bureau at Warwick University and by Mr David Smith, chief economist of City of London stockbrokers Williams de Broë, suggests otherwise.

They argue that public expenditure, like so many other aspects of UK economic life, has to adapt to the fixed exchange-rate regime of ERM membership. According to Mr Smith, both the government – and the Labour party if it comes to power – will find that increases in public expenditure will damage economic growth in general, and private sector output in particular, so long as sterling is pegged.

The reasoning is contained in a paper by the Warwick team published last month in the Economic Review of the National [redacted] of Economic and Social Research.

In a comparative analysis [redacted] the [redacted] models of the Treasury, the Bank of England and Oxford Economic Forecasting, the Warwick researchers concluded that increased public expenditure would, within three or four years, have an overall negative effect on UK output as measured by gross domestic product.

They said maintaining the value of sterling would require increases in short-term interest rates, which would "crowd out" growth elsewhere in the economy. Moreover, [redacted] Warwick team said [redacted] turing [redacted] would [redacted] disproportionate fall in output.

Mr Smith took the Warwick findings and calculated the impact of a £2bn-a-year [redacted] in public expenditure at 1990 prices on economic growth. The Treasury model suggested that [redacted] domestic product would be depressed by £1.7bn ($2.95bn) [redacted] fifth [redacted] while £3.7bn of private output would [redacted] crowded [redacted] by [redacted] fifth [redacted].

The Bank [redacted] England model pointed [redacted] greater negative [redacted]. It suggested that the £2bn-a-year [redacted] in public spending would depress GDP by £5.3bn and private output by £7.3bn in [redacted] Such output [redacted] would [redacted] unemployment.

On the strength of these calculations, Mr Smith concluded that "the victors in the forthcoming election would be well advised [redacted] instigate [redacted] public expenditure [redacted] immediately [redacted] maximise their chance [redacted] returned [redacted] in the late 1990s."

The Bank of England model, for example, has since been [redacted] in [redacted] important respect.

The models in the [redacted] simulation had a back[redacted] looking exchange [redacted] tion. Their view [redacted] sterling's future trends was based largely [redacted] experience [redacted] pound's behaviour in pre-ERM days when governme[redacted] frequently forced [redacted] defend sterling with sharp interest [redacted].

The Bank model now has a forward-looking exchange rate equation which, like the financial markets, [redacted] more [redacted] expectations. This change has had a significant impact on [redacted] interest rate assumptions which, in turn, largely determine output expectations.

The forward-looking model [redacted] that [redacted] rates are less likely to rise so sharply now that sterling [redacted] in [redacted] ERM and the government has [redacted] defeating inflation its highest economic priority. Accordingly, a [redacted] in [redacted] Bank [redacted] England [redacted] manual [redacted] that higher public expenditure need [redacted] hardly any [redacted] on output over a five-year period.

[redacted] experience so [redacted] year [redacted] falling interest [redacted] while public expenditure [redacted] been growing quite rapidly tends [redacted] support this view.

But the validity of such forward-looking exchange [redacted] equations depends crucially on government policies retaining their credibility with financial markets. This alone should give Mr David Mellor, the [redacted] secretary, some pause for thought as he haggles to keep down departmental budgets.

[redacted] model-making [redacted] have rather more worrying implications [redacted] Labour party. It is [redacted] a substantial increase in public spending [redacted] it [redacted] power [redacted] general election, [redacted] reckon [redacted] scepticism in financial markets [redacted] ability [redacted].

It is expected that the Treasury will have to add at least £5bn [redacted] £221bn public expenditure planning total for the coming 1992-93 [redacted] year. If maintained, such expenditure growth [redacted] have more [redacted] crowding-out [redacted] than [redacted] by the simulations of Warwick university and Mr Smith.

But models of an economy are not the same as the real thing. They are fallible and, in the case of public spending, do not distinguish between worthwhile public expenditure, such as investment on infrastructure which should enhance the supply side of the economy, and less productive or unproductive spending.

Moreover, econometric models are like cars – they are constantly being redesigned. Those used by the Warwick team were the 1990 versions.

Trinidad Terms

Crowding [redacted] a different kind seems to be threatening one of the prime minister's pet initiatives in the international [redacted] arena.

At the Commonwealth Finance Ministers meeting a year [redacted] Mr John Major, when [redacted] of the Exchequer, unveiled a plan [redacted] the official debt burden [redacted] the poorest developing [redacted] by [redacted] thirds. He hoped this year's economic summit in London in July would adopt and launch [redacted] plan, [redacted] is urgently needed in Africa. Instead, the G7 summit [redacted] the matter [redacted] Club [redacted] nations.

[redacted] club met this month [redacted] failed [redacted] the terms [redacted] of [redacted] opposition. Japan, which [redacted] opposed the terms [redacted] summit, [redacted] since [redacted] its position.

[redacted] some extent the Trinidad Terms are being [redacted] of the international financial agenda by the problems [redacted] the Soviet Union. But the US administration [redacted] difficul[redacted] how [redacted] deal with [redacted] in its budget process and is uncertain whether it can win support for the plan from a [redacted] Congress.

[redacted] Major [redacted] raised [redacted] with President [redacted] recent months. But [redacted] main responsibility [redacted] pushing [redacted] plan now falls on Mr Norman Lamont, [redacted] present Chancellor, when he [redacted] the annual meetings [redacted] the International Monetary Fund [redacted] Bank in Bangkok next month.

Small UK investors to be offered £2.5bn BT stake

By John Authers in London

SMALL [redacted] in the UK will be [redacted] of [redacted] in BT, formerly British Telecom, when the UK government [redacted] part of its remaining 49 per cent stake later this year.

The portion for retail investors will be half the total stake on sale, with the other half auctioned to UK investment institutions and international investors. According to the latest planning assumptions, the government will sell half of its shares in the company.

The auction will break with the system for previous government flotations by not guaranteeing UK institutions a specific percentage of shares. With no fixed ratios it is theoretically possible for all £2.5bn to be sold to institutions outside the UK. However, this is unlikely as British firms will need to maintain some weighting in BT.

The new system adapted experience from the US, and took [redacted] of the tender for stock in the electricity generators, National Power and PowerGen, [redacted] this year.

Government advisers say the new system should maximise proceeds by assessing institutional demand on a "level playing field"; avoid an extreme leap in price immediately after the shares [redacted] trading; and shorten the official launch period as demand will be established in advance.

It should also act as a "comfort" [redacted] small shareholders in the UK as the price they pay will be set at a discount to the going rate [redacted] institutional buyers.

The [redacted] formula will be announced tomorrow.

Worries over Maxwell demerger

By Bronwen Maddox

PLANS FOR the demerger of Maxwell Communication Corporation need to progress by the end of the year, or terms for the repayment of the group's debt might have [illegible] be renegotiated early in 1992, according to observers of the company in London.

There is also growing scepticism among US investors about the success of a flotation of Macmillan and Official Airlines Guide, the largest of the group's US businesses.

"The Max Factor has crossed the Atlantic and a flotation is scarcely an option at the moment", according to prominent Wall Street investors.

Several US institutions, [illegible] declined [illegible] be named, have said that the falls in the share price of Mirror Group N[illegible]pers, Mr Robert Maxwell's second listed publishing company, from its May flotation of 125p to its [illegible] had taken away US appetite for the stock.

"We took [illegible] bath on the Mirror" said one fund manager, who added that the impact on quarterly performance tables, rather than the BBC investigation last week or the subsequent press comment, was responsible for their present [illegible] of [illegible].

Earlier this month [illegible] the AGM of MCC, Mr [illegible] repeated his intention [illegible] demerge [illegible] 90 per cent of the group's operating profit, "in order to [illegible] shareholder value".

The [illegible] could [illegible] help reduce the group's debt, [illegible] believed to [illegible] $1.35bn.

[illegible] leading [illegible] media analyst [illegible] "no way would MCC's US businesses [illegible] get [illegible] premium to [illegible] US market, which is now trading on a multiple [illegible] times [illegible] earnings. Macmillan is mainly [illegible] publisher, [illegible] it's [illegible] a great play on the upturn [illegible] advertising."

A demerger by selling the businesses [illegible] another company is [illegible] an option being examined, but [illegible] bankers have commented [illegible] flotation [illegible] much cleaner and quicker.

However, Maxwell observers [illegible] commented [illegible] August meetings of MCC's bankers assumed a demerger [illegible] and they would want an alternative plan quickly if [illegible] unlikely.

NEWS DIGEST

Associated Nursing £2m in red

TAKING INTO account discontinued businesses, Associated Nursing Services, the USM-quoted healthcare group, turned down from a £1.86m profit to a £2.07m loss in the year ended March 30 1991.

Turnover increased to 16.6m (£11.1m), while losses per share were 37.9p (earnings 34.7p). There is no final dividend leaving the total at 1p (3p).

This year's loss comprised continuing profit £486,000 after exceptional charges £172,000, and discontinued loss £2.55m *including exceptionals £132,000.* The 1989-90 figures were boosted by £1.34m from the sale of two nursing homes.

Below-the-line charges of £1.87m related to the cessation of operations at Weston and Ross, Sensa Design and Marketing, Topak Healthcare, and at the 19 per cent owned Vacances Elite.

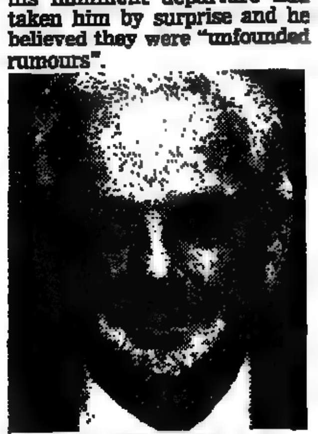
William Jacks goes further into loss

With the recession in motor vehicle retailing especially pronounced at the top end of the market, William Jacks saw its pre-tax loss for the half year ended July 31 1991 increased from £21,000 to £601,000.

The group sells Mercedes, Jaguar, BMW, Saab and Rover cars. Turnover fell to £21.2m (£23.3m). Unit sales of new and used cars were further reduced from last year, and margins contracted. Losses per share came [illegible] (0.2p).

BET head surprised by *departure reports*

Mr Nicholas Wills, chairman of industrial services group BET, said yesterday that reports of his imminent departure had taken him by surprise and he believed they were "unfounded rumours".



Nicholas Wills: "I'll be [illegible] on Monday morning"

Mr Wills, just arrived back from [illegible] trip to the US, said "Yes, I'll be there on Monday morning," but declined to comment further. A spokesman [illegible] it was the company's policy not [illegible] on rumours.

Reports yesterday morning [illegible] that [illegible] Wills [illegible] other senior directors would leave the group soon as part of a strategic review by the company's new chief executive Mr John Clark.

The [illegible] review, ending this week, "[illegible] right mix of business [illegible] and [illegible] of [illegible] generation," according [illegible] the company.

Mr Clark replaced Mr Wills as chief executive in April following City [illegible] of the group's trading performance.

Goodwin benefits from efficiency

On marginally [illegible] turnover, Goodwin lifted its pre-tax profit by over 8 per cent in the [illegible] ended April 30 1991, from [illegible].

The higher profit [illegible] by production efficiency coupled [illegible] new plant [illegible]. Current order [illegible] deteriorating, but in anticipation of [illegible] market share [illegible] 0.63p (0.6p).

The group, which operates as a [illegible] refractory engineer and metal [illegible] produced [illegible] of [illegible] (£14.2m). *Earnings* [illegible] up 1p to 4.6p.

F&C Pacific net assets increase

Over [illegible] six months [illegible] July [illegible] 1991 net asset value of [illegible] Pacific Investment Trust [illegible] from 177.1p [illegible] 226.3p. A [illegible] 217.7p.

Earnings [illegible] share were 1.34p (1.25p) [illegible] nue of [illegible] (£3.15m). [illegible] is [illegible] to 0.75p (0.55p) [illegible] reduce disparity; [illegible] final [illegible] expected [illegible] 1p.

FI Group selling [illegible] *to workers*

[illegible] employees and 690 self-employed [illegible] of FI Group, a privately [illegible] computing services concern, are being given the chance to buy shares in the company.

Between 400,000 and 600,000 shares are on offer at £2.70 each, and if the maximum is sold the company will be capitalised at £6.2m. Minimum subscription by a member of the workforce will be for 50 shares with a value of £135. The notional gross dividend yield is 7.4 per cent.

FI is unusual because it is staffed by computer programmers and systems analysts who work chiefly from home.

£10m offer for DC Gardner divisions

DC Gardner, a financial training and consulting concern, said it had received a £10m unsolicited conditional [illegible] from Capefield for its banking training and outplacement divisions. The board will meet early this week to consider the offer, it said.

Refinancing eliminates Panfida's borrowings

By Roland Rudd

PANFIDA, the heavily-borrowed retailing group, has announced a refinancing agreement with its three prin[illegible] non-bank lenders which include Mr Rupert Murdoch's News International.

The lenders will be given 132m shares at 25p in exchange for eliminating Panfida's £49m borrowings; providing £5m by way of an inter[illegible] facility; waiving future interest amounting [illegible] £11m [illegible] ing a £5m five year convertible non-interest bearing loan.

Panfida's shares [illegible] Friday up [illegible]p [illegible] 6p.

Mr Peter Wenzel, deputy chairman [illegible] Panfida, [illegible] the refinancing would enable the group to concentrate its resources on the Martin newsagents chain, which made an operating profit of £5.2m, up from £949,000, for the half year to December. Overall, the group incurred a pre-tax loss of £3.8m (£7.1m).

Holders of the convertible notes issued in Australia three years ago will be offered one 25p share for each note which was worth A$1.30. A majority of note holders have indicated they will support the plan.

Agreement has been reached with one of the lenders to TOC Retail, the US subsidiary, for the release of Panfida's $10m (£5.8m) liability in [illegible] indebtedness, [illegible] exchange for [illegible] 25p.

The refinancing is conditional on approval of shareholders, holders of the notes and the consent of various [illegible].

Panfida's capital will be increased [illegible] around [illegible]. News International's [illegible] will be [illegible] 31 to 26 per cent.

The other two big non-bank lenders, Elders Finance group [illegible] GFA International, become significant shareholders for the first time, taking 23 and 13 per cent of [illegible].

Private votes crucial in Molins' battle to stay independent

By Bronwen Maddox

[illegible] maker of specialised machinery for the tobacco industry, could know as early [illegible] this morning whether it has [illegible] 18-month battle for its independence against the [illegible] financial [illegible] Leucadia National Corp.

[illegible] will today count proxies [illegible] tomorrow's EGM at Glazier's Hall in the City, where Leucadia, a 48.5 per cent shareholder, will try for a second time to gain board control by replacing three Molins directors with six of its own.

Institutions hold 50 per cent of Molins, and the support of the private shareholders, with 15 per cent, will be crucial.

Shareholders last year rejected Leucadia's proposal to reshuffle directors after the failure of its May 1990 bid for the company.

Molins has [illegible] that Leucadia is trying to gain control [illegible] making a full offer to [illegible] current price of 351p.

Should Leucadia be [illegible] ful, [illegible] will be the third company in which it [illegible] bought a large minority stake and then won board control.

In July Leucadia announced [illegible] it had been unable [illegible] agree terms for a merger with PHLCorp, the US trading [illegible] business in [illegible] it holds a 67 per cent stake. In February 1990 it finally took over Brae, the US rail car leasing company, five years after acquiring a 41 per cent stake and gaining board control.

Even if Leucadia's proposals are rejected, it is still allowed to buy a further 2 per cent a year, which could give it a 50.5 per cent majority shareholding next August.

At the EGM tomorrow Molins's own resolution will ask for shareholder permission to increase its capital by about 27 per cent at the management's discretion. If the company found a suitable acquisition for which shares were issued, it could dilute Leucadia's holding.

Polly Peck administrators under fire

By Richard Waters

A US investment company which has bid [illegible] for PPI Del Monte, the fresh fruit business of Polly [illegible] International, yesterday accused [illegible] group's administrators of turning their back on an offer [illegible] the expense of Polly [illegible] creditors.

Union Capital Partners said it had been told last week by Mr Michael Jordan, the lead administrator, that he did not intend to invite offers for Del Monte. The company, which has put together finance from a number of US investors, said Mr Jordan had been more welcoming of its first approach six [illegible] ago. The refusal now came despite a possible increase in the bid, subject to being allowed access to Del Monte to complete due [illegible]gence work, Union said.

■ Last week the PPI administrators sold a controlling interest in Sansui, the Far Eastern consumer electronics company, to Grande Holdings of Hong Kong. Grande will inject $50m (£28.7m) working capital, helping to resolve a mounting cash crisis in the company.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Cragnotti & Partners (Luxembourg)	JA/Mont (US/Italy)	Paper goods	£478m	Buying Montedison's half
Merrill Lynch Capital Partners (US)	Beatrice Foods (Canada)	Dairy Products	£241m	LBO exit by Onex
Polygram (Holland)	Propaganda Films (US)/ Working Title (UK)	Film Production	£115m	Philips strengthens film business
Williams Holdings (UK)	Fireye (US)	Control products	£36m	Agreed cash deal
Consortium (International)	Ortopedia (Germany)	Wheelchairs	£33m	Debt-driven [illegible]
Outokumpu (Finland)	Mooney Chemicals (US)	Metal chemicals	[illegible]	Strategic US foothold
Nittetsu Shoji (Japan)	[illegible]	[illegible]	£23m	[illegible] divestment
[illegible] of [illegible] (Greece/Cyprus/USSR)	Olympic Lottery (JV)	Gambling	£7m	USSR lottery venture
Porter Chadburn (UK)	Ipop (US)	Labelling	£3.5m max	PC hungry for more
Gambro (Sweden)/Shimizu Pharmaceutical (Japan)	JV	[illegible]	[illegible]	Gambro expands Japan operation

Source: FT Mergers & Acquisitions International

COMPANIES AND FINANCE

Ferruzzi Finanziaria slides to L83bn at interim stage

By Haig Simonian in Milan

FERRUZZI Finanziaria (Ferfin), [redacted] financial holding concern controlling the Ferruzzi-Montedison group of companies, added to a bleak first-half reporting [redacted] for Italy's leading companies by announcing a [redacted] group consolidating [redacted] profits [redacted] minority [redacted]sts to L83bn ($66m) from L180bn last year.

Sales [redacted] slightly [redacted] L8,631bn from L8,352bn in the first six months of the year. Despite the [redacted] fall, the group said it expected "moderately positive [redacted]" for [redacted] year [redacted] a whole.

Ferfin said the current outlook for the dividend suggested the possibility of [redacted] payout "substantially in line with the previous year".

The group attrib[redacted] its pr[redacted] decline in the first half [redacted] the difficulties [redacted] many of [redacted] subsidiaries, especially the Montecatini chemicals [redacted]tion, which [redacted] suffered from declining margins [redacted] many plastics products [redacted] from [redacted] tougher [redacted] facing the world chemicals industry.

Ferfin implied [redacted] rationalisation [redacted] Montecatini would affect mainstream and white-collar jobs [redacted] many of its operating subsidiaries. Further cuts could come through [redacted] continuing reorganisation following the [redacted] Montedison, [redacted] controls Montecatini, with the agro-industrial [redacted] formerly carried out by [redacted] Agricola Finanziaria.

[redacted] group [redacted] L7,874bn, which was L1,107bn lower than at the same [redacted]. However, the figure [redacted] that at end-December [redacted].

[redacted] the [redacted] partly [redacted] changes [redacted] the dollar-lira exchange [redacted] also risen owing [redacted] tional concentration of [redacted]ments [redacted] first half of [redacted] year in [redacted] the agro-industrial [redacted].

Finns to launch Ecu300m deal

By Tracy Corrigan

MUNICIPALITY Finance, the financing arm of Finland's local government sector, plans to make its debut in the Eurobond market this week with an issue that may signal a new source of supply of Ecu-denominated paper.

Following the linkage of several Scandinavian currencies to the Ecu this year, and given the high relative interest rates in all Scandinavian markets, borrowers from the region using the Ecu market are now able to benefit from lower interest rate payments with the virtual elimination of currency exposure.

Otherwise, the supply of paper in the Ecu bond market [redacted] likely [redacted] lower than expected during [redacted] quar[redacted] 1991, [redacted] the [redacted] the European Bank [redacted] Reconstruction [redacted] Development's highly [redacted] Ecu500m deal [redacted] week.

The Kingdom of Spain, which had been preparing to launch an Ecu1bn deal, [redacted] put its foreign borrowing [redacted] hold, [redacted] Belgium, which had [redacted] eyeing [redacted] Ecu market, [redacted] funds in [redacted] instead.

Municipality [redacted] plans to [redacted] Ecu300m of five- or seven-year bonds. The deal, arranged by [redacted] Sachs, will be swapped into floating-rate Ecu, [redacted] lent in small portions [redacted] individual municipalities.

[redacted] will [redacted] guaranteed by [redacted] Government [redacted]sions, an agency of the Republic [redacted]. Municipality Finance's long-term [redacted] triple-A by [redacted] Poor's and double-A1 by Moody's. [redacted] borrower plans [redacted] about [redacted] in [redacted].

Other [redacted] borrowers are interested in the market. However, for the [redacted], [redacted] of [redacted] sovereign borrowers are in need of funds, and [redacted] arbitrage [redacted] sive agencies like [redacted] Export Credit.

MP to head Crédit Suisse fund business

MR JOHN Moore, the man once tipped to succeed Mrs Thatcher as leader of the Conservative party, is to become executive chairman of Crédit Suisse's fund management business in London, writes Richard Waters.

Mr Moore, who has said he will stand down as MP for Croydon Central at the next election, returns to finance [redacted] a 17-year political career. Before moving to Westminster in 1974, he had been chairman of Dean Witter International, part of the US investment bank.

He was secretary of state for social services after the 1987 general election, before ill health helped to end his ministerial career.

At the start of next year, he is to take over as chairman of Crédit Suisse Asset Management, which has £3.5bn under management for individuals and investment institutions. [redacted] business [redacted] out [redacted] the [redacted] stockbroker Buckmaster [redacted].

Top French financiers forge banking alliance

By Richard [redacted]

[redacted] France's best-known financiers, Mr Pierre [redacted] and Mr Gérard Eskenazi, have [redacted] alliance, rekindling their close association [redacted] a decade ago when they [redacted] Paribas, the French banking group.

The alignment will also result in Swiss Bank Corporation becoming [redacted] minority holder in part of [redacted] private [redacted] and [redacted]cial services group, Pallas.

Mr [redacted] is [redacted] a 25 per cent stake in Pallas Holdings, which [redacted] the group's financial services businesses, through his investment vehicle, Compagnie Industrielle à Paris. Pallas's investments include the majority [redacted] in Cresvale, [redacted] securities house.

He will also take [redacted] stake in Pallas Invest, [redacted] investment holding [redacted] built up by Mr [redacted] and Pallas's president, [redacted] Peter Castenfelt.

At [redacted] time, [redacted] to merge its small Paris-based merchant banking subsidiary, Banque Pallas France, with Banque Stern, [redacted] bank acquired by [redacted] in 1988. The new bank, to be known as Banque [redacted] Stern, will [redacted] majority-owned by Pallas, [redacted] holding [redacted] 35 per cent stake.

[redacted] new [redacted] is also [redacted] participate in [redacted] joint-venture corporate finance operation in [redacted] together with SBC and Mr Eskenazi's Comipar, said Mr Castenfelt. SBC is already a significant backer of Comipar, with a fifth of the shares.

[redacted] series of links [redacted] to bring together the [redacted] skills [redacted] and Mr Eskenazi, and [redacted] Pallas [redacted] benefit from Mr [redacted] deal-making skills, said Mr Castenfelt. Comipar [redacted] buying mainly existing shares in Pallas, rather than injecting [redacted] capital, though it has agreed to take over some [redacted] the group's investments, [redacted].

Mr Eskenazi quit the board [redacted] Pargesa, [redacted] holding company, a year ago.

Call for tougher corporate laws

By Kevin Brown in Sydney

AUSTRALIA's Companies and Securities Committee, a key government advisory body, [redacted] in a report published today for a significant tightening of corporate disclosure legislation.

[redacted] report follows a two-month investigation ordered by Mr Michael Duffy, the attorney general, as part [redacted] preparation [redacted] a wide-ranging corpo[redacted] regulations Bill [redacted] tabled in parliament early [redacted] year.

The report supports the system of "continuous disclosure" introduced earlier this year by the Australian Stock Exchange (ASX), which requires [redacted] companies [redacted] inform [redacted] market of [redacted] "material information".

However, it [redacted] the continuous disclosure rules should be extended [redacted] private [redacted] with [redacted] (US$8m), and to government-owned corporations such [redacted] Australia Telecom and Qantas.

Unlisted companies would have [redacted] detailed interim and annual reports with the Australian Securities Commission (ASC), [redacted] corporate watchdog, and inform it [redacted] transactions or events that could [redacted] financial [redacted]tional prospects.

[redacted] report [redacted] quarterly reporting, which [redacted] currently limited to listed mining companies, should [redacted] kept under review, but [redacted] "not warranted at this stage".

Mr Ian Ramsay, [redacted] committee's deputy director, said continuous reporting [redacted]uld make quarterly reporting unneces[redacted]. "Once [redacted] an effectively enforced continuous disclosure [redacted] up [redacted] running, the attractiveness of quarterly reporting diminishes rapidly," he [redacted].

[redacted] are expected [redacted] be included in [redacted] forthcoming Bill, [redacted] will [redacted] incorpo[redacted] earlier [redacted] on the law [redacted] directors' responsibilities and inter-com[redacted] financial transactions.

[redacted] tighten [redacted] low [redacted] investors over the activities [redacted] companies and individuals during the late 1980s.

[redacted] are facing criminal charges following [redacted] investigations, including Mr Alan Bond, former chair[redacted] of Bond Corporation [redacted]ings, and [redacted] Christopher [redacted] Qin[redacted] and [redacted].

NRI TOKYO BOND INDEX

December 1985 = 100	[redacted]	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	[redacted]	6.24	[redacted]	156.82	153.64
Government Bonds	161.22	6.10	160.11	153.35	151.49
Municipal Bonds	164.89	6.49	163.98	157.65	155.67
Govt.-guaranteed Bonds	167.50	6.52	166.63	160.53	158.33
Bank Debentures	159.84	6.07	159.66	152.94	150.47
Corporate Bonds	163.87	7.08	163.51	159.31	156.94
Yen-denom. Foreign Bonds	170.91	7.17	168.00	165.09	160.42
Government 10-year	6.08		6.20	6.69	6.59

* Estimated par yield

Source: Nomura Research Institute

Trade in Mrs Fields shares suspended

By Michiyo Nakamoto

[redacted] shares [redacted] Mrs Fields, [redacted] cookie shop, [redacted] suspended on [redacted] securities [redacted].

The move follows [redacted] between [redacted] company and [redacted], which are owned by Mr Randall Fields and Mrs Debbi Fields, respectively chairman and chief executive officer.

[redacted] shares [redacted] suspended [redacted] 10p. At the [redacted] popularity, the [redacted] the USM rose to a peak of 266p in June 1987.

[redacted] at the centre of [redacted] with the [redacted] exchange involve [redacted] the company and its affiliates, mainly [redacted] Boulangerie and Fields Soft[redacted], both of [redacted] are privately [redacted] by the Fields.

Some [redacted] the transactions [redacted] the [redacted] were not [redacted] shareholders prior [redacted] publication. [redacted] suspension would allow the [redacted] been reported to shareholders.

According to the 1990 report [redacted] accounts, [redacted] Fields and La Petite have licensing agreements to sell each others' [redacted]. Mrs Fields earned royalties of $310,000 [redacted] in 1990 [redacted] 1989 and paid La [redacted] an advance non-refundable royalty of $5m. A further maximum $3m may be owed to La Petite.

Mrs Fields and Fields Software also have computer software licensing agreements between them.

However, the group stressed that the suspension did not relate to the trading situation or the finances of Mr Fields.

The financially-stretched group, which is primarily a US business but is listed [redacted] London, has faced [redacted] and reported [redacted] pre-tax loss of $8.79m last year.

Krups' input helps Moulinex out of the [redacted]

[redacted] appliances [redacted] has reported a consolidated [redacted] profit of FFr35m ($6.14m) in the first six months of the [redacted], compared with [redacted] loss of [redacted] in the same period a year earlier, AP-DJ reports from Paris.

Consolidated revenue rose by [redacted] cent, largely reflecting the acquisition in January of Krups, [redacted] German electrical appliance manufacturer.

Excluding sales from Krups, [redacted] would [redacted] risen by 16 [redacted] cent [redacted] FFr2.92bn in [redacted] half of 1991, from FFr2.51bn a year earlier.

Moulinex said Krups's turnover and contribution to earnings in the first half of this year were similar to those of the same 1990 period.

The company said its revenue and profits for the whole [redacted] should be in line with projections.

Westpac alters name of TV subsidiary

THE [redacted] Banking group [redacted] yesterday it had changed [redacted] name of its subsidiary [redacted] Australia to Television and Telecasters, Reuters reports from Sydney. Westpac said the change fol[redacted] an approach by Television Australia [redacted] Sy[redacted] regarding continuing [redacted] its name [redacted] Westpac subsidiary.

Westpac's Television [redacted] acquired [redacted]nel Ten television stations in Sydney, [redacted] and [redacted]bane in July this year.

"At no time [redacted] Westpac Banking Corp, its subsidiary or [redacted] Channel [redacted] had [redacted] financial [redacted] in Television [redacted] Systems Ltd," the bank said.

1/2 hour period ending	Provisional Price for Trading on 29.09.91: Pool purchase price £/MWh	Final Prices for Trading on 01.09.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.87	15.69	15.69
0100	15.84	15.58	15.58
0130	15.56	15.50	15.50
0200	15.55	15.50	15.50
0230	15.55	15.48	15.48
0300	15.55	15.48	15.48
0330	15.34	15.43	15.43
0400	15.35	15.43	15.43
0430	15.34	15.26	15.26
0500	15.34	15.43	15.43
0530	15.84	15.50	15.50
0600	14.90	15.48	15.48
0630	15.34	15.48	15.48
0700	15.84	15.48	15.48
0730	15.65	15.50	15.50
0800	15.87	15.59	15.59
0830	16.27	15.80	15.80
0900	16.30	16.55	18.71
0930	16.40	16.55	18.71
1000	16.82	16.55	18.71
1030	16.88	16.55	18.70
1100	17.08	17.29	19.47
1130	16.55	17.29	19.47
1200	18.45	17.40	19.58
1230	20.45	17.40	19.58
1300	20.43	17.40	19.58
1330	18.45	17.40	19.58
1400	17.74	17.40	19.58
1430	17.08	17.40	19.59
1500	16.82	17.40	19.59
1530	16.62	16.80	16.80
1600	15.90	15.59	15.59
1630	15.94	15.69	15.69
1700	16.82	17.40	19.59
1730	16.82	17.40	19.59
1800	16.82	17.40	19.59
1830	17.08	17.40	19.59
1900	16.52	17.40	19.59
1930	16.49	17.40	19.58
2000	20.70	17.40	19.58
2030	20.70	17.82	20.01
2100	17.08	21.47	23.77
2130	17.08	21.47	23.78
2200	17.08	21.47	23.78
2230	17.08	18.89	21.13
2300	17.08	18.89	21.14
2330	15.95	17.82	20.02
2400	15.89	17.82	20.02

1/2 hour period ending	Provisional Price for Trading on 30.09.91: Pool purchase price £/MWh	Final Prices for Trading on 02.09.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.84	15.60	15.60
0100	15.83	15.59	15.59
0130	15.83	15.57	15.57
0200	15.84	15.59	15.59
0230	15.84	15.59	15.59
0300	15.84	15.57	15.57
0330	15.84	15.58	15.58
0400	15.84	15.55	15.55
0430	15.84	15.58	15.58
0500	15.83	15.58	15.58
0530	15.86	16.08	16.08
0600	15.86	16.08	16.08
0630	15.96	16.11	16.11
0700	15.97	16.52	16.52
0730	18.91	20.09	22.58
0800	29.45	20.28	22.72
0830	31.47	23.45	26.08
0900	40.85	24.58	27.27
0930	42.84	26.24	28.04
1000	42.79	26.50	28.31
1030	40.25	26.31	28.14
1100	37.10	26.29	28.12
1130	36.74	26.47	28.36
1200	36.97	25.84	28.71
1230	35.41	26.64	28.44
1300	31.84	26.20	27.90
1330	27.80	25.59	28.24
1400	20.27	26.02	28.58
1430	19.81	25.97	28.50
1500	26.20	25.96	28.48
1530	26.21	25.84	28.48
1600	26.52	25.96	28.53
1630	30.16	26.04	28.56
1700	33.44	26.09	28.60
1730	32.08	26.03	28.60
1800	26.87	23.46	25.58
1830	20.28	20.31	22.74
1900	30.95	20.31	22.74
1930	20.81	20.09	22.61
2000	31.97	19.88	[redacted]
2030	26.54	26.34	[redacted]
[redacted]	22.10	26.34	[redacted]
2130	21.32	24.20	[redacted]
2200	18.70	24.00	[redacted]
2230	17.88	17.67	[redacted]
2300	16.36	17.13	[redacted]
2330	16.08	17.13	[redacted]
2400	16.90	16.27	[redacted]

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Yields show their first rise in weeks

IT had to happen. The gilt rally of the past two months came to a juddering halt last week, although many gilt practitioners still have high hopes for further gains towards the end of the year.

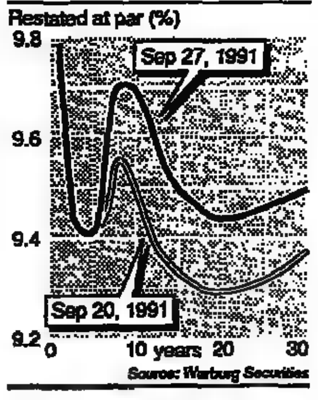
Long-dated UK government securities lost ground in terms of price by nearly a point during the week, while short-dated bonds were mainly stable. Consequently, yields for many types of gilts, particularly those maturing around the turn of the century or later, rose for the first time in weeks. Typical was the benchmark 9 per cent Treasury bond payable in 2008. The yield for this was quoted on Friday night at 9.4 per cent, up from 9.3 per cent the week before.

One of the factors behind the change was the increased standing of the opposition Labour party in opinion polls. This shook the confidence of many in the City that the ruling Conservatives would be likely to win the next election. As many in the City equate a Labour government with *calamity*, that led to nervousness among *cognoscenti*.

The main aspect, however, was that many investors came

UK gilts yields

Restated at par (%)



Source: Warburg Securities

round [redacted] view [redacted] looking overpriced compared [redacted] equivalent [redacted] by overseas governments, and also with equity investments. Consequently, there [redacted] switching [redacted] from the UK government securities and into other bonds, particularly US and Japanese instruments.

The mood was evident during the Bank of England's auction of £1.5bn of long-dated 9.5 per cent conversion stock, due in 2004. The auction was oversubscribed by a factor of 1.9, significantly less than the [redacted] earlier [redacted] this financial year. There was some evidence that much of the buying activity was by market-makers, which dived into [redacted] auction with gusto, only to find purchasing interest from investors such [redacted] pension funds less than whole-hearted.

A comparison [redacted] gilt [redacted] with [redacted] of other [redacted] ment bonds provides some justification for thinking that the UK government [redacted] have become too expensive, even bearing in mind [redacted] favourable short-term inflation [redacted] *According* [redacted] figures from UBS Phillips & Drew, [redacted] the past month gilt yields at a 10-year maturity [redacted] have declined by 18 [redacted] points (0.18 per cent), [redacted] yield of [redacted] 10-year gilt [redacted] the end [redacted] week being quoted at around [redacted] The downward [redacted] in yield [redacted] this period equates roughly with [redacted] 2-point rise in price.

[redacted] the past month, gilts [redacted] performed better [redacted] equivalent 10-year [redacted] in *Germany* [redacted] *France*, [redacted] yields [redacted] fallen by 2 [redacted] points [redacted] 11 basis points respectively [redacted] stand on Friday at [redacted] per cent and 8.8 per cent).

Even with [redacted] outlook for lower interest rates in Britain being relatively favourable [redacted] the next year, thanks to the demand-squeezing [redacted] the recession and the expected impact of the exchange [redacted] mechanism, it is by no [redacted] clear that the yield differential between UK bonds and German and French [redacted] should narrow much [redacted] (The clear winners in the bond world in terms of performance over the past month [redacted] been US and Japanese [redacted] *yields* [redacted] down by 25 and 28 basis points respectively, mainly due [redacted] lower projections [redacted] economic growth in both these [redacted] tries.)

[redacted] for the future, many market-watchers believe that [redacted] fall in prices [redacted] week was just [redacted] temporary hiccup. Mr Roger Bootle, an [redacted] Midland Montagu, said: "[redacted] slip, but [redacted] inflation outlook I remain generally positive *about the* [redacted] *for* [redacted] *prices* [redacted] the next [redacted] months."

Peter Marsh

ITALIAN BONDS

Strong rally defies pull of uncertainty

THE Italian government bond market staged a strong rally in September, again defying the negative pull of political and economic uncertainty.

Firstly, the country appeared to be heading [redacted] another *period of political upheaval*, with Mr Giulio Andreotti's government nearly brought down last week by [redacted] a 1992 budget package.

In [redacted] the [redacted] annual [redacted] Italian economy carried [redacted] warning that high inflation and unemployment [redacted] bornly high budget deficit left it dangerously out of step with its main trading partners.

The [redacted] of not coming to [redacted] with such [redacted] problems were underlined by the Dutch proposals on European monetary union, unveiled earlier in the month. This envisages [redacted] two-speed approach, with high-inflation economies being [redacted] initial stages. With inflation remaining at nearly 7 per cent and a public-sector deficit amounting to 10.5 per cent of gross national product, Italy looks firmly in the slow lane.

Preparation of the 1992 budget *took place against the* background of such international pressures. Yet no agreement was reached last week. Further meetings were due to take place over the weekend in an effort to avoid an early general election and Italy's 51st post-war government.

This is an inauspicious background for a bond market rally. However bonds closed the week on a gross yield of 12.90, slightly stronger on the week and well up on the 13.40 seen at the end of August.

The market has been supported by factors other than domestic economic and political fundamentals. Structural reforms have encouraged international investors to commit funds [redacted] the market, which continues [redacted] offer the highest yields of any developed government [redacted] market.

■ [redacted] Italian treasury announced [redacted] week [redacted] had [redacted] withholding [redacted] repayments amounting [redacted] *L4.2bn* – [redacted] claims processed under [redacted] new "streamlined" procedure [redacted] reclaiming tax.

[redacted] repayments have been [redacted] prompted a half-point rally in 10-year bond prices [redacted] Monday. This may seem an extreme reaction, but [redacted] old system was so unreliable that many investors looked *only* [redacted] *net yields, even though* withholding [redacted] could, in [redacted] ory, [redacted] reclaimed.

The difference [redacted] substantial. At the government's *L3,000bn* auction [redacted] 10-year [redacted] last week, which was twice [redacted] the [redacted] 11.08 per [redacted]

■ The Matif, the [redacted] exchange, [redacted] the London International Financial Futures Exchange both launched [redacted] Italian government bonds during the month.

[redacted] the Liffe [redacted] was [redacted] September 19, daily volume [redacted] averaged *11,000* [redacted] *In addition to* genera[redacted] publicity for Italian bonds, [redacted] do appear to have increased trading activity in [redacted] market.

While such structural improvements will help [redacted] attract overseas cash, the strength [redacted] bond prices is rooted in a [redacted] inflation, [redacted] and [redacted] yields will *gradually* [redacted] of the lower-yielding [redacted] in Europe.

On [redacted] basis, net yields [redacted] *fall to* [redacted] per [redacted] by [redacted] of 1992. A view among analysts is [redacted] with yields at such high levels the [redacted] political and economic [redacted] is less significant.

Simon London

US MONEY AND CREDIT

Treasuries surge as doubts deepen

THE US Treasury bond market rallied on Friday as investors appeared to be persuaded that the Federal Reserve will launch a further interest rate cut in October and the US economic recovery began looking increasingly weak.

Spurred by reports from a White House meeting that brought together the President, his chief economic advisers and Mr Alan Greenspan, chairman of the Federal Reserve, the benchmark 30-year Treasury long bond [redacted] marked ¾ of a point higher on Friday to 103[illegible].

The resulting yield of 7.817 [redacted] cent represented the lowest long-term interest level since March 1987. Investors, however, reckon this week's Open Market Committee will still decide to [redacted] rates beyond the [redacted] in the discount and Fed funds [redacted]

The White House economic meeting on Friday, the second of [redacted] week, fuelled speculation that an election-conscious President Bush [redacted] putting pres[redacted] the [redacted] of monetary *policy* [redacted] help stimulate [redacted] economy with fresh interest cuts while asking bank regulators to [redacted] on [redacted] troubled *banking industry* [redacted] the nation's credit crunch.

One version of [redacted] meeting, provided by [redacted] Market News Service report that excited traders on Friday afternoon, had Mr Greenspan telling [redacted] President that [redacted] might be "fundamentally strong" but [redacted] "going into [redacted] mile per hour headwind". For [redacted] part, Mr Bush is [redacted] have [redacted] Mr Greenspan he is concerned about the sluggish [redacted] of economic recovery.

Just in case Mr Greenspan didn't hear the President, [redacted] jaw-boning continued as the Bush Administration's public relations machine [redacted] on full.

"People [redacted] still having trouble getting money, especially small business. [redacted] want to [redacted] examiners are [redacted] of this problem and [redacted] steps are being [redacted] by the banking industry to [redacted] that indeed they are not being *overly restrictive on their* loans," said Mr Marlin Fitzwater, the [redacted] spokesman.

The credit crunch, [redacted] Mr [redacted] Mosbacher, [redacted] Commerce Secretary and [redacted] confidante, "is [redacted] minor problem. It's very serious".

The [redacted] macro-economic data [redacted] bear out Mr Bush's [redacted] flagging recovery.

Last week it was reported that the contraction in second-*quarter GNP* [redacted] revised [redacted] from [redacted] drop of 0.1 per cent to a negative 0.5 per [redacted] Durable goods orders for [redacted] fell by 3.8 per cent and growth of US consumer spending slowed [redacted] to a standstill, declining by 0.2 per [redacted] on an inflation-adjusted basis.

The weakness [redacted] spending [redacted] all-important in the [redacted] the [redacted] for around [redacted] all demand for goods and services.

This [redacted] analysts are predicting more statistics indicative [redacted] faltering [redacted] Most significant will be this Friday[redacted] unemployment report [redacted] September, which [redacted] show the unemployment rate rising from 6.8 to [redacted] or [redacted] 7 [redacted] cent – the [redacted] level of [redacted] June.

The [redacted] purchasing managers' survey, which [redacted] show a drop of [redacted] point from the previous level of 56.8, [redacted] released today. On Wednesday, the [redacted] home sales data will probably reveal a 0.8 to 1.0 per cent fall and, on Thursday, the August factory orders numbers will most likely be down by 1.6 to 1.8 per cent.

The US economy is bumping along in a [redacted] erratic way. Salomon Brothers noted on Friday that the smorgasbord [redacted] figures suggests an uneven [redacted] economic performance. *Add to* [redacted] the [redacted] about weak M2 growth, the continuing credit crunch and [redacted] confused picture of [redacted] and consumer confidence, and [redacted] further [redacted] cut by [redacted] virtually assured.

Mr Phillip Braverman of DKB Securities put matters bluntly at the weekend, [redacted] *that slackening* economic activity [redacted] "recovery" into question. The [redacted] economy, Mr Braverman summed up, "remains mired in recession".

The Federal Reserve, [redacted] hates to [redacted] interest rates when it appears to be giv[redacted] in [redacted] political pressure. So participants [redacted] last Friday's White House meeting – [redacted] where interest [redacted] would presumably have been a key topic – made a point of stressing that [redacted] no discussion of interest rates. That diplomatic nicety, say the cynics of Wall [redacted] should make [redacted] for Mr Greenspan and his colleagues at the Fed to get on with the [redacted] rate [redacted]

Alan Friedman

US MONEY MARKET RATES ([redacted])

	Last Friday	1 week ago	4 wks ago	12-month High	12-month [redacted]
Fed Funds weekly average	5.00	5.13	[redacted]	[redacted]	2.00
Three-month Treasury bills	5.27	5.33	[redacted]	8.29	5.27
Six-month Treasury bills	5.34	5.45	[redacted]	7.70	[redacted]
Three-month prime CDs	5.43	5.47	[redacted]	[redacted]	5.40
30-day Commercial Paper	5.40	5.40	[redacted]	9.95	5.40
90-day Commercial Paper	5.35	5.41	5.63	10.05	5.35

US BOND PRICES AND YIELDS (%)

	Last Fri	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	105[illegible]	+[illegible]	7.28	7.37	7.65
10-year Treasury	114[illegible]	-1[illegible]	7.78	7.82	8.00
30-year Treasury	103[illegible]	+[illegible]	7.82	7.89	8.06

Money supply: In the [redacted] 16, [redacted] by [redacted] to [redacted]

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on September [illegible]

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Bids spurt keeps bankers occupied

BANKERS are looking forward to a busy final quarter in the syndicated loans market, thanks to the recent spate of takeover bids in the UK.

BTR, the industrial conglomerate which is bidding nearly £1.5bn for engineering group Hawker Siddeley, revealed details of the debt financing for the deal last week.

Barclays, Credit Suisse First Boston, and Hongkong and Shanghai Banking Corporation are jointly arranging a £1bn facility which matures on December 31, 1992, paying a margin of 32.5 basis points over the London interbank offered rate (Libor) and commitment fees of 15 basis points.

BTR has traditionally been very aggressive with its banks. However, bankers believe that – assuming the takeover goes ahead – the loan should be successfully syndicated, as BTR's relationship banks will be looking for additional business from the company.

Few details have emerged on Hanson's plans for Beazer, following its recent £351m offer. However, most bankers expect that Hanson will be able to renegotiate Beazer's debts on more favourable terms.

Beazer's total indebtedness stood at £1.25bn in August. This included an unsecured term loan arranged in 1989, which last month was renegotiated and increased and is now a $2.5bn master facility agreement maturing on December 31, 1995. NatWest and Citibank, the lead banks, are understood to have received a success fee of £16m for renegotiating the loan with the 108 participating banks.

Originally, Beazer paid a margin of [illegible] points [illegible] Libor, [illegible] the renegotiation the margin [illegible] to 175 [illegible] points over Libor.

Beazer [illegible] the banks [illegible] by [illegible] of [illegible] using the proceeds of its planned flotation of its UK-based house-building, contracting and property businesses. According to the agreement with its banks, if Beazer does not proceed with the flotation, the banks can seize Beazer's assets. While Hanson's bid put an end to the flotation plans, the question remains as to what Hanson will do about Beazer's debts.

Hanson can borrow much more cheaply than a company in Beazer's condition. [illegible] most [illegible] syndicated loan [illegible] arranged in [illegible] finance [illegible] acquisition of Consolidated Goldfields. This [illegible] loan with a margin [illegible] basis points [illegible] Libor. The front-end [illegible] then [illegible] three [illegible] points for a commitment of £300m, [illegible] points for a commitment [illegible] one basis [illegible] for £100m.

Of [illegible] pricing today is now [illegible] or [illegible] times the [illegible] it [illegible] in [illegible]. One [illegible] has suggested that Hanson might have to pay [illegible] 50 [illegible] points over Libor for a [illegible] five-year facility.

■ Schroders has [illegible] improve [illegible] of a £125m five-year revolving cash advance facility which it [illegible] for [illegible] Building Society [illegible] this month, following strong [illegible] over the [illegible] and [illegible].

The facility will [illegible] the form [illegible] loan – [illegible] than a revolving [illegible] facility – with a margin [illegible] points [illegible] Libor.

[illegible] and Hill Samuel [illegible] "underwritten an amount [illegible] to [illegible] cessful completion [illegible] syndication". Originally, Chelsea planned [illegible] points [illegible] Libor and a commitment [illegible] of 12.5 [illegible] points on the undrawn portion of [illegible] revolving [illegible] advance facility. Chelsea had agreed [illegible] keep [illegible] 60 per cent of the facility drawn and [illegible] intended [illegible] use [illegible] entire facility.

[illegible] Webb

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1,180.9	0.0	432.0	12,478.8
Prev	576.1	88.0	297.0	12,745.3
Other	3,923.5	0.0	172.2	5,830.7
Prev	3,059.4	140.9	298.2	8,738.7
Secondary Market				
US$	20,932.6	654.9	9,364.6	9,294.5
Prev	20,628.0	753.9	7,739.0	10,300.3
Other	50,583.3	1,464.8	3,847.4	70,601.3
Prev	39,212.4	859.1	7,994.0	71,918.2

	Cedel	Euroclear	Total
US$	18,096.3	35,938.1	54,029.4
Prev	17,023.2	36,079.4	53,102.6
Other	47,030.7	89,384.7	136,415.4
Prev	43,177.6	83,943.3	127,120.9

Week to September 26, 1991. Source: [illegible]

INTERNATIONAL BONDS - THIRD QUARTER

Canada leads activity with volume surge to $14bn

[illegible] international [illegible] during the third quarter [illegible] eral markets ended the quarter at high points for the year, which should stimulate further activity in [illegible] quarter.

Total new [illegible] so far this [illegible] is up $50bn [illegible] first nine months [illegible] last [illegible] $175bn, according to the International Financing Review's Bondbase, [illegible] strong performance of international bond [illegible]. However, the gap is exaggerated by the hiatus in new issue activity which [illegible] Iraq's [illegible] summer.

The [illegible] market [illegible] been particularly strong, pushing secondary [illegible] yields [illegible] tight levels, [illegible] to [illegible] Canadian government bond market. The strength [illegible] the [illegible] has fuelled interest among [illegible] institutional investors, who are keen to benefit from the yield pick-up of around 175 basis points over US Treasuries still available in the Canadian bond market.

New issue volume in the sector has surged to nearly US$14bn equivalent, compared [illegible] just [illegible] $4bn during [illegible] first nine [illegible] of [illegible] year. This [illegible] in part from heavy supply by Canadian provinces, which have been unable to fulfil their heavy financing needs in the domestic market.

The Euroyen market also experienced a renaissance, boosted by a strong rally in the Japanese government bond [illegible] during [illegible]. A Y120bn 10-year offering by the Japan Development Bank in August, [illegible] largest to date, prompted [illegible] in a sector which [illegible] from increasing [illegible] liquidity in [illegible] in [illegible] Euroyen [illegible] climbed from $12.5bn [illegible] although the number [illegible].

The increased new [illegible] activity [illegible] expected to persist [illegible] quarter, although many Japanese corporate [illegible] will continue [illegible] be placed in [illegible] will [illegible] actively [illegible] flow [illegible] Japanese companies try to refinance equity [illegible] deals, [illegible] which [illegible] due [illegible] of the [illegible] performance [illegible] market, [illegible] been [illegible].

Despite a weaker performance [illegible] quarter, volume in [illegible] Ecu [illegible] doubled [illegible] Ecu28bn, [illegible] by a [illegible] by European governments in [illegible] quarter, including the UK's debut issue.

[illegible] in [illegible] fixed-rate dollar market [illegible] up $10bn [illegible] $32bn, despite poor [illegible] opportunities. Further supply [illegible] likely to [illegible] by tight yield spreads and relatively low [illegible] rates, which may persuade [illegible] to [illegible] in [illegible] rates. [illegible] demand is expected to remain strong, boosted, as in the Canadian market, by an appetite [illegible] current coupon bonds which are not trading above par.

Nomura International has maintained its position at the top [illegible] the bookrunners' league table.

Tracy Corrigan

TOP EUROBOND LEAD MANAGERS

	1st nine months of 1991				1st nine months of 1990			
Manager	[illegible]	[illegible]	%	[illegible]	[illegible]	[illegible]	%	[illegible]
Nomura	17.03	1	9.69	96	11.94	(1)	[illegible]	76
CSFB	12.26	2	[illegible]	[illegible]	7.60	(2)	[illegible]	35
Paribas	10.77	3	6.13	26	[illegible]	[illegible]	[illegible]	21
Daiwa	10.53	4	5.99	69	[illegible]	(5)	[illegible]	[illegible]
[illegible] Bank	9.69	[illegible]	[illegible]	58	[illegible]	(3)	[illegible]	41
Morgan Stanley	8.95	[illegible]	[illegible]	15	[illegible]	[illegible]	[illegible]	[illegible]
Yamaichi	8.70	7	4.95	[illegible]	3.11	[illegible]	[illegible]	20
[illegible]	[illegible]	8	[illegible]	59	[illegible]	[illegible]	[illegible]	26
[illegible]	6.51	[illegible]	3.70	36	[illegible]	[illegible]	[illegible]	14
SBC	6.36	10	[illegible]	25	2.53	(14)	[illegible]	[illegible]
Industry [illegible]	1176.61			[illegible]	122.42			[illegible]

1 Preliminary Figures - Full credit to book runner

Source: IFR BONDBASE

EUROBOND ISSUES BY CURRENCY

	1st nine months of 1991			1st nine [illegible] of 1990		
Rank	Currency	Total raised ($bn)	No. of issues	Rank	Total raised ($bn)	No. of issues
1	US$	55.60	296	1	48.91	262
2	Ecu	28.36	77	4	13.33	[illegible]
[illegible]	Sterling	21.80	107	2	15.15	[illegible]
[illegible]	Yen	20.92	131	[illegible]	[illegible]	[illegible]
[illegible]	C$	13.90	92	7	4.22	43
[illegible]	D-Mark	12.31	109	3	13.95	91
7	FFr	10.32	53	[illegible]	5.09	[illegible]
8	Lira	7.38	44	[illegible]	3.50	24
[illegible]	A$	3.11	[illegible]	[illegible]	4.00	[illegible]
10	Guilder	0.83	[illegible]	10	0.59	[illegible]

Source: IFR BONDBASE

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life [illegible]	Coupon %	Price	[illegible]	[illegible] %
US [illegible]							
[illegible] Lease(b)♦†	[illegible]	1995	[illegible]	4½	100	[illegible] Europe	[illegible]
Kingdom [illegible] Belgium†	600	2001	10	8⅛	99.913	[illegible]	8.138
Telebras(k)†	200	1996	(k)	10	[illegible]	Merrill Lynch	11.418
KFW Int.Finance†	350	2001	10	8⅛	98.70	[illegible] Bk Cap.Mkts.	8.170
Aegon NV†	100	1994	3	[illegible]	101.0975	[illegible]	[illegible]
Far [illegible] Textiles(g)§†	50	2006	15	4	[illegible]	Salomon [illegible]	[illegible]
[illegible] Inc.(o)§†	[illegible]	2001	10	6¼	100	CSFB	6.864
[illegible] Hydro†	150	2001	[illegible]	8¼	101	[illegible]	[illegible]
ECUs							
Compagnie [illegible]	100	1993	2	9⅜	100.795	Merrill Lynch	8.924
Petrobras†	50	1994	3	12	[illegible]	[illegible]	13.901
EBRD†	500	1996	[illegible]	8⅞	[illegible]	[illegible] Stanley Int.	[illegible]
Exp.Imp.Bk of Japan†	250	[illegible]	5	9	101.595	Paribas Cap.Mkts.	8.602
STERLING							
EIB(f)†	50	1995	4¼	11½	105.34	[illegible]	[illegible]
Allied-Lyons†	150	1999	7¼	10⅝	[illegible]	[illegible]	[illegible]
[illegible]							
Credit Local [illegible] France(c)†	1.2bn	[illegible]	8.167	9¼	100	[illegible] Capital Mkts.	9.241
LVMH(f)†	750	[illegible]	4	zero	100	Societe Generale	-
CANADIAN [illegible]							
[illegible] Nat.Railways†	150	1998	7	10	101.325	[illegible]	9.730
[illegible]	250	1996	5	9⅞	101.345	[illegible] Bk Cap.Mkts.	[illegible]
NEW [illegible]							
[illegible] of Sth.Aust.†	[illegible]	1997	6	9¼	101.07	Hambros Bank	[illegible]
D-MARKS							
EIB(d)‡†	500	1998	7	(d)	100.20	Deutsche Bank	-
Council of Europe†	100	1996	[illegible]	8⅝	101¾	Trinkaus [illegible] Burkhardt	[illegible]
Nat.Bk of Hungary†	500	1998	7	10¾	100½	Dresdner Bk	10.640
Yahagi Construction♦	100	1995	4	5⅞	100	Daiwa Europe GmbH	5.875
[illegible] Textile Co.♦	100	1995	4	5⅞	100	WestLB	5.875
SWISS FRANCS							
[illegible] Corp(m)★★♦†	70	1995	-	5	100	Bca.d'Svizzera Italiana	5.000

[illegible]	Amount m.	Maturity	Av. life years	Coupon %	Price	[illegible] runner	[illegible] %
Kyoritsu Ceramic(a)★★♦†	[illegible]	1995	-	5	100	Bank Julius [illegible]	5.000
Teollisuuden Voima†	[illegible]	2001	-	7¼	101	SBC	7.107
Ryomo Systems★★†	25	[illegible]	-	7½	99⅝	Wirtschafts & Privatbk.	7.574
Uni-Charm Corp(i)★★♦	100	[illegible]	-	5	100	Credit Suisse	5.000
LIRE							
[illegible] Int.[illegible]	150bn	1995	4	[illegible]	101.45	[illegible]	11.527
[illegible]							
Fin.for [illegible] Ind.†	300	1996	[illegible]	10¾	101⅝	[illegible] Trust Int.	[illegible]
[illegible] Bk [illegible] Finland†	300	1996	[illegible]	[illegible]	101½	Unibank [illegible]	10.351
[illegible]							
[illegible]	15bn	[illegible]	5	[illegible]	[illegible]	Bco.Portugues Inv.	11.724
YEN							
[illegible]	75bn	1998	5	6	99.80	[illegible] Int.	6.048
[illegible] Corp†	30bn	2000	8¼	6.9	101⅛	[illegible]	6.671
Alps Electric(j)†	30bn	(j)		[illegible]	(j)	[illegible] Int.	(j)
Mitsubishi [illegible] Corp†	30bn	[illegible]	6¼	[illegible]	101½	Daiwa Europe	6.519
NEC Corp†	30bn	[illegible]	6¼	[illegible]	101⅛	[illegible] Europe	6.473
[illegible] Corp†	20bn	2000	8¼	[illegible]	101⅛	[illegible] Int.	[illegible]
LUXEMBOURG [illegible]							
[illegible] Credit(e)†	3.5bn	1994	3	9⅝	[illegible]	[illegible] Europeen	8.696
Cregem [illegible]	400	1994	2½	9⅜	[illegible]	Cregem Int.	8.630
CIBC†	1.5bn	1998	7.167	9½	[illegible]	Bque.Paribas (Lux)	[illegible]
Kredietbk.Int.Fin.(n)†	1bn	1999	8	9¼	102.10	[illegible]	8.872
[illegible] Trailer★★†	600	1996	[illegible]	9½	[illegible]	Cregem Int.	[illegible]

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♦Variable rate notes. †Final terms. a) [illegible] premium fixed at 2.5%. [illegible] declining ½% semi-annually. b) Exercise premium fixed at 2.55%. Non-callable. c) [illegible] with existing FFr1bn deal on 7/12/91. Non-callable. d) Coupon pays 40bp minus 6-month Libor. Callable after 2 years at par & on each rollover date, thereafter. [illegible] Amount increased from LFr2.5bn. Non-callable. f) Redemption linked to LVMH stock. Amount [illegible] g) Conversion premium fixed at 14.8%. Non-callable [illegible] 5 years, then soft call for following 5 years, then callable [illegible]. Put from [illegible] until 10/2005 to yield 7%. h) Caravela issue. Non-callable. i) Callable 17/10/93 at 101% declining ½% annually. j) 3 issues launched: 1. Amount - Y10bn, coupon - 7%, issue price - 101½%, maturity - 1996, Ave.life - 5¼, fees - 1⅞/1.7, yield - 6.690; 2. Y10bn, 7%, 101½%, 1999, 7¼, 1⅞/1.7, 6.734; 3. Y10bn, 7%, 101⅝%, 2000, 9¼, 2/1.8, 6.730. Non-callable. [illegible] Deal repaid in 7 equal semi-annual instalments from 15/10/93. Coupon payable semi-annually. Selling concession [illegible] - 1½%. [illegible] - 3½%. l) [illegible] with [illegible] £75m [illegible] m) [illegible] 17/10/92 at 101½% [illegible] ¼% semi-annually. Exercise premium fixed at 2.57%. n) Callable [illegible] 1996 at 101½%, 1997 at 101% and 1998 at 100½%. o) [illegible] 10/92 at 105%, declining by 1% annually to par in 1997. Conversion premium fixed at 18.02%. Coupon payable semi-annually. Note: Yields are [illegible] on AIBD basis.

CONTRACTS

Didcot power award

GEC ALSTHOM has been awarded [illegible] contract by National Power [illegible] build a combined cycle gas turbine (CCGT) power station at Didcot with a total project cost in prospect of £450m.

The go-ahead for it, however, is subject to receipt of consent following the public inquiry announced by Mr John Wakeham, Secretary of [illegible] for Energy.

Included in the project and the total cost projected are the design, construction and commissioning of two modules of 680MW each.

It is planned that the first module would come into operation in 1994 with an option to build the second exercisable within 12 months.

The station would be supplied by natural gas. National Power already has a contract with British Gas for its supply.

GEC Alsthom plant uses 9F Frame technology of the latest and largest design of gas turbines developed by General Electric of the US working in conjunction with the Anglo-French power group.

Each module is to have two gas turbines, two associated heat recovery steam generators and one steam turbine giving a module output of 680MW with [illegible] thermal efficiency in excess of 54 per cent.

In the meantime GEC Alsthom's transport division has secured an contract worth over $50m [illegible] refurbish the Hong Kong [illegible] Transit Corporation's fleet of [illegible] controlled trains.

Under it existing mechanical camshaft controls will be replaced [illegible] electronic [illegible] Turn [illegible] Thyristor (GTO) chopper controls.

Technical equipment for Turkey

INTERNATIONAL has been awarded a [illegible] contract for the management, supply, installation and commissioning of technical equipment [illegible] 28 universities in Turkey.

The Nottingham-based company is being backed by the Export Credits Guarantee Department.

[illegible] loan [illegible] provided by Chartered WestLB on behalf of [illegible] syndicate of banks including Midland, Standard Chartered and Gulf International Bank.

The project is also receiving [illegible] and [illegible] Provision grant of £23m.

THE WEEK AHEAD

ECONOMICS

Markets look for a Fed initiative

THE hesitant US recovery and the possibility of further action by the Federal Reserve to stimulate activity through interest rate cuts are likely to pre-occupy financial markets this week. The policy making Fed*eral Open Market Committee* meets tomorrow at a time when the White House is pressing for lower interest rates and there is little sign of inflationary pressure in the economy.

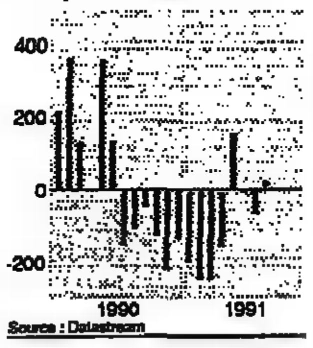
Although the Fed's discount rate was cut to its lowest level since 1973 earlier this month, Fed members are thought to be willing to ease monetary conditions further in the light of subdued money supply growth. However, it is unclear whether they will move immediately.

Tomorrow's report from the National Association of Purchasing [illegible] should point to further growth in manufacturing. But Friday's employment [illegible], covering the [illegible] economy, is expected [illegible] *further slight rise in unemploy*ment in September. MMS International, the financial research company, reports that forecasters' views of non-farm payroll [illegible] vary widely, ranging from a fall of 40,000 to growth of 190,000 in September.

Events and statistics, with median market [illegible] from *MMS in brackets,* [illegible]:

US employment

Civilian labour force [illegible], non agricultural payrolls ('000)



Source : Datastream

Today: US, September Chicago purchasing managers' report. September agricultural prices. Japan, August construction orders, starts, housing starts. UK, final August money supply figures, new vehicle registrations.

Tomorrow: US, Federal open market committee meets. August construction spending (down 0.2 per cent), leading indicators (flat). September NAPM index [illegible] per cent). Japan, August unemployment rate, September foreign exchange [illegible]. Australia, August current account (A$1.0bn [illegible] adjusted).

[illegible]: US, August new home sales (up 1 per cent). UK, September official reserves (flat).

Thursday: Germany, National holiday for reunification, deadline for Bundesbank reorganisation. US, August factory [illegible] (down 1.7 per cent), shipments; [illegible] September 21 - [illegible] (6.4m). [illegible] supply for week to September 23. Canada, September foreign exchange [illegible] (US$750m). Australia, August building approvals (down 6 per cent).

Friday: US, September non-farm payrolls (up 40,000), manufacturing payrolls, unemployment rate [illegible] per cent); August average workweek, hourly earnings, housing starts; release August 20 FOMC minutes. Japan IMF [illegible] August trade [illegible], current account, foreign bond investment. Canada, July leading [illegible]. UK, August housing starts and completions, cyclical indicators.

During [illegible] week: Germany, August industrial production (up 0.2 [illegible] cent), manufacturing output (down 0.5 [illegible] cent), manufacturing [illegible] (flat), trade balance (DM1bn surplus), current account (DM3.5bn deficit). Italy, September consumer prices.

Peter Norman

RESULTS DUE

AMSTRAD, the computer [illegible] is expected to report on Thursday full [illegible] pre-tax profits of £20m, [illegible] year's £43.7m. Mr Alan Sugar, [illegible] chairman, [illegible] when he announced half-year profits of £40.1m [illegible] the company [illegible] break even in the second six months.

Since then Amstrad has announced that it will make an exceptional £20m write-down against unsold personal computer stocks.

Some City analysts [illegible] worried that provision is too small. They will be looking for an indication [illegible] the [illegible] the current year's trading. Given the depressed [illegible] of [illegible] computer market, they [illegible] expecting an early improvement.

Forte will report on Thursday a sharp drop in pre-tax profits for the half-year to end July to about £45m from £113m a year earlier. Its hotel and airline catering [illegible] hit hard by the Gulf War [illegible] *recovered only slowly since.* Shorn of the Trusthouse part [illegible], it [illegible] with [illegible] "branding" of [illegible] by market segment.

[illegible] outperformed [illegible] sector by [illegible] the May rights issue as the quality of its lending book and earnings [illegible] to appeal to investors. Analysts [illegible] expect [illegible] report [illegible] Wednesday [illegible] pre-tax profits [illegible] around £70m against £110m [illegible] a *dividend* [illegible] *of* some 10 per cent.

Sears, sporting a [illegible] executive in the form of Mr Liam Strong, ex-British Airways marketing director, will report tomorrow [illegible] drop [illegible] interim profits [illegible] £12m excluding property and other income from £36.8m. How much of the costs of reorganising [illegible] operations it will take [illegible] an exceptional item is an unknown factor.

TRADE FAIRS, EXHIBITIONS & CONFERENCES

OCTOBER [illegible]
TOTAL QUALITY USERS' CONVENTION
With presentations and practical workshop sessions from leading Quality companies. Final programme available from Eileen Peverall, David Hutchins Associates Ltd.
Tel: 0344 28712 Fax: 0344 25968
LONDON

OCTOBER 1&4
Petroleum Investment in Eastern Europe and the Soviet Union
A major workshop dealing with legislation taxes, contracts, negotiations and business development. With key speakers from the USSR and Select Soviet republics. Organised by Petroconsultants and the University of Dundee, Centre for Petroleum and Mineral Law + Policy. Contact Mrs. Elizabeth Thomas Tel: 0382 307299 Fax: 0382 22578
LONDON

OCTOBER 4-5
WOMEN IN MANAGEMENT
A 24 hour conference at Henley Management College to examine and discuss the critical issues facing all those (men and women) concerned with the Mangement and Development of Women. Demographic trends are brutally exposing the need for highly competent women [illegible] Contact: Maureen George on 0491 571454 or Fax 0491 571635
HENLEY ON THAMES

OCTOBER 4-6
THE WHAT SATELLITE SHOW 1991
Consumer/trade satellite TV equipment enthusiast exhibition organised by What Satellite magazine. New products, free admission with appropriate business card. For information: Jane Murtagh, WV Publications 57-59 Rochester Place NW1. Tel: 071 485 0011
LONDON

OCTOBER 7-10
FIRE '91
[illegible] national Conference and Exhibition for the whole Fire protection professional. English Riviera Centre, Torquay. Contact: James Malcolm-Coe, FMJ International Publications Ltd. [illegible] (0737)768611. Fax: [illegible]
TORQUAY

OCTOBER 7 - NOV 25
FT-City Course
Museum of London, London
Enquiries: Financial Times Conference Organisation
Tel: 071-925 2323,
Fax: 071-925 2125
LONDON

OCTOBER 8
DOING BUSINESS IN ITALY.
A comprehensive guide to corporate strategy. Sponsored by: Coopers & Lybrand, Europe. Covering the strategic legal, M&A, accounting and personnel differences when compared to the UK. Contact: FiBEX Tel: 071 489 9944 Fax: 071 236 6140
LONDON

OCTOBER 8-10
THE ACCOUNTANTS' EXHIBITION
Barbican Exhibition Centre
Products and Services for Accountants in Practice, Commerce and the Public Sector. Entry free with business card.
LONDON

OCTOBER 9
AUTOMOTIVE FUELS
The health and environmental implications of proposed changes in legislation which relate to road transport both at work and in everyday situations need to be examined. Contact: Caroline Little, The Institute of Petroleum.
Tel: 071 636 1004.
LONDON

OCTOBER 10
DTI/International Factors Workshop on Exporting to Germany
A breakfast workshop including discussions on suitable terms for exporting to Germany, getting paid [illegible] sales, financing the delay until the customer pays, legal aspects, distribution and technical issues.
Venue: Cedar Court Hotel, [illegible]
Cost £25.00 Contact: John Leslie 0532 338256
LEEDS

OCTOBER 10-11
Foreign Investment and Privatisation in USSR
Latest update on prospects post August 1991. Speakers from Credit Suisse First Boston, Deutsche Bank, Gillette International, Moscow Narodny Bank, EBRD, EC Commission, ABB Asea Brown Boveri, Peja Group. Contact: Sarah Avian, IBC. Tel: 071 637 4383 Fax: 071 631 3214
LONDON

OCTOBER 11
The Cost Implications of Pay and Benefits in a Changing Public Sector. Cipfa's Public Finance Foundation and Noble Lowndes Consultants and Actuaries.
Rewards for finance personnel in the public and private sectors - the 'total compensation' approach. Phone 071-895 8823 Ext.255 Gail Main or Ext 344 Chris Trinder.
LONDON

OCTOBER 11
Controlling Investments Information Technology
A one day course at LSE aimed at increasing managerial control over IT by bringing together research investigation and lessons learnt from industry. Contact Nicola Meakin, Short Courses Office, LSE, Tel: 071-955 7227
LONDON

OCTOBER 14
Average Rate Options in the Foreign Exchange Markets
Pricing techniques, hedging, practical applications for the user, legal aspects and the management perspective. Speakers include Dr Desmond Fitzgerald, Director, Head of Arbitrage, Mitsubishi Finance International plc and Mark Yallop, Director & Head of Derivatives, Morgan Grenfell & Co Ltd. Call Gillian Becket (0223) 423250
LONDON

OCTOBER 15
SUCCEEDING WITH EXECUTIVE INFORMATION SYSTEMS
A practical guide to the successful *development and implementation fo* EIS. Includes evolutionary development approaches, effective screen presentation and data quality and consistency [illegible]. Contact Business Intelligence. Tel: 081 944 1591 Fax: 081 944 0332
LONDON

OCTOBER 15
CONFER '91
10 a.m. - 4.30 p.m.
Exhibitors from the top 70 British conference destinations. Free entry. British Association of Conference Towns, Elizabeth House, 22 Suffolk Street, Queensway, Birmingham [illegible] 1LS (tel: 021-616 1400). Contact: Tracy Johnson
LONDON

OCTOBER 15-17
The Interactive Multi-media Event. (Time '91)
This is the largest Multimedia Exhibition and Conference in Europe with over 80 exhibitors and 60 speakers. The event will demonstrate the benefits and versatility of multimedia in such areas as retail, banking, finance, publishing, advertising, leisure, education and training. Wembley Exhibition Centre - Hall 2/3. Contact: Louise Cooke.
Tel: 071 383 3323
LONDON

OCTOBER 16
MAKING CLEANER FUELS IN EUROPE
The subject of cleaner fuels is both topical and vital, in the light of today's growing realisation that we must preserve our environment both now and for future generations. Contact: Caroline Little, The Institute of Petroleum Tel: 071 636 1004
LONDON

OCTOBER 17-18
Global outlook for short-term interest rates A extremely topical two day conference, incorporating presentations on major world economies and aspects of ECU and the EMU. Guest speakers include Dr. B. Bianchi (Bank of Italy) and Mr K. Matsuda (Bank of Japan). Contact: Christina Moore on 071 [illegible] 4383
LONDON

OCTOBER 17-18
The European Community's Environmental Auditing Regulation - Seminar & Workshops
Guest speaker: Bernardo Delogu, DGXI, Commission of the European Communities, who drafted the Regulation; Chairman: Lord Clinton-Davis; Two sessions followed by intensive workshops. Palace Hotel, Buxton, Derbyshire. Contact Pamela [illegible] Tel: 081 876 3367
BUXTON

OCTOBER 18
OUTPLACEMENT
Reviews changing policies in UK companies, the services they want, and how well consultancy suppliers are [illegible] Highlights how to get better value from supplier of outplacement services. Speakers include Hewlett Packard, BT, IPM. Contact Kingsland James 0753 831826 or TCCL 0865 794727
LONDON

OCTOBER 20-25
CONTROL OF OIL POLLUTION COURSE
Vital for those with management responsibilities for counter pollution measures. Contact: Caroline Little, The Institute of Petroleum Tel: 071 636 1004
HERTFORDSHIRE

OCTOBER 21
PAY AND PLAY GOLF
[illegible]
Devoted to overcoming the barriers to pay and play golf development. International experts on the golf market, construction and environmental issues, finance, the law and marketing. Contact British Sports and Allied Industries Federation. Tel: 081 681 [illegible] Fax: 081 681 0012
LONDON

OCTOBER 21-22
The Future of Kuwait: A Strategic perspective.
This two-day Conference, at the Hotel Inter-Continental will involve International Experts, Corporate Executives, Academics and Top Government Officials from Kuwait, Europe, USA, Japan, and the Middle East who will meet to discuss and present a strategic perspective on Kuwait.
Contact: Strategic Investment Forum Ltd. Tel: 071 548 9919, Fax: 071 895 1366.
LONDON

OCTOBER 22
Remediation of Industrial Sites
Discusses the technologies for the clean up of soil and ground water contaminated by petroleum products and chemicals. [illegible]: Caroline Little. The Institute of Petroleum.
Tel: 071 636 [illegible]
LONDON

OCTOBER 22
International Regulation of the Transfer of Strategic Technology
Convened by The Royal Institute of International Affairs. To be held at The Cafe Royal, London. Enquiries RIIA [illegible] Tel: 071 957 5700, Fax: 071 957 5710
LONDON

OCTOBER 22
INTERNATIONAL REGULATION OF THE TRANSFER OF STRATEGIC TECHNOLOGY
Convened by the Royal Institute of International Affairs. To be [illegible] at The Cafe Royal, London. [illegible] RIIA [illegible] Tel: 071 957 5700 Fax: 071 957 5710.
LONDON

OCTOBER 22
DOING BUSINESS IN GERMANY
A comprehensive guide to corporate strategy. Sponsored by: Coopers & Lybrand Europe and Carre, Orban & Partners. Covering the strategic legal, M&A, accounting and personnel differences when compared to the UK. Contact: FIBEX. Tel: 071 489 9944 Fax: 071 236 6140
LONDON

OCTOBER 22
COMMERCIALISING THE I.T. DEPARTMENT
Examines the arguments for and against different forms of commercialisation and explores key factors in successfully making the transition. Contact Business [illegible] Tel: 081 944 1591, Fax: [illegible]
LONDON

OCTOBER 24
1991 International Business and Financial Outlook Conference
Speakers from North America, Europe, the Soviet Union and Asia to discuss [illegible] prospects for world growth, the [illegible] outlook for the four regions, corporate financial strategy and the outlook for [illegible] A[illegible] Board Europe meeting.
Contact Jane Campbell Tel: (32) 2/ 640.62.40 Fax: (32) 2/[illegible]
LONDON

OCTOBER 24 - NOV 28
Creative Accounting
Six Thursday evening seminars at LSE [illegible] for [illegible] managers with no specialist background in accounting with need for [illegible] of risks in [illegible] and misrepresentation of financial reality. Nicola Meakin, [illegible] Courses Office: Tel: 071 955 7227.
LONDON

OCTOBER 28
Managed Futures Funds - The role of the trading advisor
Speakers from the SFA, Refco International, Clerical and Medical, John [illegible] and [illegible] Looks at the US experience of CTAs and the potential [illegible] development of trading advisors in Europe. Futures and Options World (081) 330 4311
LONDON

OCTOBER 29 & 30
European Postal Services:
The Way Ahead Hotel InterContinental, London. Enquiries: Financial Times Conference Organisation
Tel: 071-925 2323, Fax: 071-925 2125
LONDON

OCTOBER 30-31
The Fourth Oil [illegible] Control Conference
Real and apparent losses in refining and storage. Contact Caroline Little, The Institute of [illegible] Tel 071 636 1004
LONDON

[illegible] 30
PREPARING FOR THE UPTURN
Lloyds Bank/ECGD/International [illegible] How to make the best of opportunities to come by obtaining working capital, securing risks on debtors overseas and at home, increasing sales. Venue: Regent Street, from 11.00 to 14.00. Free of Charge. Contact Wendy Trollope 0273 21211
LONDON

OCTOBER 30
[illegible] Based Cost Management: [illegible] Direction for Financial Services in the 90s?
CBI/DEVELIN [illegible] PARTNERS CONFERENCE
Centre Point, London
Contact: Sandra Aldred, CBI [illegible] Tel: [illegible] 7400
Fax: 071 497 [illegible]
LONDON

NOVEMBER 4
MAKING I.T. STRATEGY SUCCEED
Drawing on the lessons of highly experienced IT directors the conference explores the success factors and key problems associated with developing IT strategies which generate business benefits. Contact Business Intelligence. Tel: 081 944 1591 Fax: 081 944[illegible]
LONDON

NOVEMBER 11
JOINT OPERATION AGREEMENTS
This Conference will critically examine standard industry terms regarding the operating conditions of companies in the North Sea. Contact: European Study Conferences, The Registrations Dept
Tel: 0536 204224
LONDON

NOVEMBER 11-12
Successful Customer Care In Financial Services
Strategies for Achieving Competitive *Edge - A two-day seminar. Selfridge* Hotel, London W1. With special contributions from British Airways plc, Cadbury Ltd, Northern Telecom Europe Ltd and Edwardian Hotels. For further details contact Janine Shields, IBC, on 071-637 4383
LONDON

NOVEMBER 12
Challenges in Energy Statistics
The Royal Society.
The single market, opening of Eastern *Europe, environmental concerns and* privatisation of the energy supply industries have led to new challenges in this field. Will this lead to greater openness and access to information or will accurate data now become a scare commodity? Contact: Judith or Jill at The Institute of Energy on 071-580 0008, Fax: 071-580 4420.
LONDON

NOVEMBER 12
Outsourcing I.T.:
A Critical Assessment
This conference is specifically designed to help senior IT and business managers assess the potential value of outsourcing to their organisations and identify the factors which contribute to the successful selection and management of such arrangements. Contact Business Intelligence. Tel: 081 944 1591, Fax 081 944 0332
LONDON

NOVEMBER 12-13
Third Annual European Insurance Conference
Explores current EC plans to develop a single European Market in insurance services. Contact: European Study Conferences, The Registrations Dept.
Tel: 0536 204224
LONDON

NOVEMBER 14
The 1991 Amex Bank Review Prize Winners Forum
Convened by the AMEX Bank Review and The Royal Institute of International Affairs. To be held at Chatham House, [illegible] Enquiries RIIA Conferences
Tel: 071 957 5700, Fax:071 957 5710
LONDON

NOVEMBER 15
LOBBYING IN THE EEC
Examines the various methods of influencing the development of EEC laws and policies. Contact: European Study Conferences, The Registrations Dept.
Tel: 0536 204 224
LONDON

NOVEMBER 20-21
1991 National Conference on Integrated Pollution Control for the Process Industries.
The economic realities of IPC regulations - the pitfalls vs the potentials. Convert environmental demands into financial opportunities. Contributions across the board from government and regulating authorities to environmentalists and leaders in the industry. Contact: Customer Services, IIR Scientific & Technical Division, 071 587 1117
LONDON

NOVEMBER [illegible] & 26
Evidence, Assessment & Quantification of Damages in Catastrophic Injury Cases.
A two-day conferences covering such key issues as: Structured Settlements; heads of damages; rehabilitation and medical expenses; recent procedural changes and the effect on damages. Contact: Charlotte Thornton - Legal Studies & Services Ltd
Tel: 071 637 4383
LONDON

NOVEMBER 25 & 26
IT OUTSOURCING AND FACILITIES MANAGEMENT
[illegible] of IT Outsourcing and Facilities management in the 1990's by some of the leading experts in the marketplace. Conference Organisers: IIR Scientific & Technical [illegible].
Contact: Customer Services on 071 587 1117
LONDON

NOVEMBER 25 & 27
FINANCE ETHICS AND THE ENVIRONMENT
Venue: Templeton College, Oxford. [illegible] Christopher Cowton
Tel: 0865 735422
OXFORD

NOVEMBER 27
Recent Advances in Management Accounting
The Gloucester Hotel, London. To include: Activity-based management, Performance measurement, Shareholder Value and Throughput Accounting. Organised in Association with CIMA. For further details please contact Mary Parker-Jervis. Business Research International on 071-637 4383
LONDON

NOVEMBER 28-29
KNOW YOUR COMPETITORS
Competitor Intelligence & Analysis
Café Royal, 68 Regent Street, London W1R 6EL
Contact: Patricia Donnard.
EMP Intelligence Service,
Tel: 071 487 5665 Fax: 071 935 1640
LONDON

NOVEMBER 28-29
Benchmarking for Market Performance (in association with PIMS) The Portman Inter-Continental Hotel
This [illegible] will focus on how companies can develop competitive benchmarking to measure their performance and improve operations. Contact Jo Bradley, The Economist Conference Unit. 071 493 6711
LONDON

DECEMBER 2-3
SHARE SCHEMES AND ESOPS
Why these are more attractive than ever and how to produce optimum solutions in practice now. Includes update from Senior Revenue [illegible].
Sarah Avian IBC 071 637 4383.
LONDON

DECEMBER 6
REINSURANCE LAW
The Latest Developments
An intensive half-day seminar examining aspects of the Wellington Facility, Arbitrations, EEC Law and Reinsurance, and the personal liability of Brokers. Contact: Athina Peters - Legal Studies & [illegible] Ltd Tel:071 637 4383
LONDON

DECEMBER 9-10
Nordic International Tax Planning
The third symposium examining international anti-avoidance legislation, taxation of dividends and capital gains from foreign subsidiaries, tax havens and foreign holding companies, and tax efficient cross-border transfer pricing strategies. Contact: Sarah Avian - IBC.
Tel: 071 637 4383
LONDON

OVERSEAS

OCTOBER 7-8
Claims and Disputes Under The FIDIC Contract [illegible] For Works Of Civil Engineering Construction.
This conference will examine [illegible] controversial clauses of the revised Conditions (1987). Organised by: Euro [illegible] Contact : Jeremy Hall
Tel:0273 483293, Fax: 0273 483396
CAIRO

OCTOBER 21-22
10th Annual Conference for European Corporate Legal Advisers
This is designed to inform and update corporate legal advisers of important developments in key areas, both legislative and otherwise, that affect their companies or corporate client's [illegible].
Organised by: Euro Conferences
Contact Jeremy Hall Tel: 0273 483 293.
Fax: 0273 483 [illegible]
BUDAPEST

OCTOBER [illegible]
[illegible] 91
Hotel Inter-Continental, Berlin
[illegible] 10th World Coal Trade and Transport Conference & Exhibition - the international coal industry's annual meeting place.
Contact: Sonia Gorton, CoalTrans Conferences Ltd., 54 Cheam Common Rd, [illegible] KT4 8RJ, UK
Tel: +44 (0) 81-330 3911,
Fax: +44 (0) 81-330 5112
BERLIN

OCTOBER 30-31
Competitive Intelligence
Objectives. Systems. Techniques and Analysis. Seminar presented by Kirk Tyson, author of Competitor Intelligence Manual & Guide. Hotel Baur Au Lac. [illegible] Also in London 4-5 November.
Contact: IIB SA (Geneva)
Tel: (41) 22 788 2751
Fax: [illegible] 227 788 2726.
ZURICH

NOVEMBER 6-7
Second International Conference on the automotive industry and the environment
Presenting the latest developments in Traffic Policies & management; Automotive Materials; Fuels & Emissions & Strategic Management. 30 international speakers will identify ways to [illegible] increasing transport demands with legitimate environmental [illegible]
Contact. Customers Services, IIR Scientific [illegible] 1117
BRUSSELS

NOVEMBER 12 [illegible] 13
Liner Shipping in the 90s & The Prospects for Bulk Shipping
Rai International Exhibition Centre, Amsterdam. Enquiries: Financial Times Conference Organisation. Tel: 071 925 [illegible], Fax: 071 925 [illegible]
AMSTERDAM

NOVEMBER 12-14
INTERMODAL 91
[illegible] containerisation and combined transport. Comprises three dedicated conferences: Intermodal Europe, the Container Conference and ReeferTrans, and featuring the [illegible] biggest ever display of combined transport, container and intermodal equipment and [illegible] CS [illegible]
Tel: 081 330 3911 or fax: 081 330 5112
BERLIN

[illegible] 13-14
Strategic Alliances and Joint Ventures in Europe
This conference is of crucial importance to every senior manager in Europe. Contact: European Study Conferences, The Registrations Dept. Tel:0536 204224
BRUSSELS

NOVEMBER 14-15
Technology [illegible] to Match Global Competition.
2ND European Sprint-Eureo Conference
Speakers from the CEC, governments,industry and research organisations will examine how Europe could make better strategic use of technology and research funding.
[illegible] Carol Jopling
ERA Technology Ltd (UK)
Tel: 44 372 374151
Fax: 44 372 [illegible]
SEVILLE

NOVEMBER 25-26
International Commercial Contracts - Problems and [illegible]
This seminar will offer practical Solutions to the many problems faced by those who have responsibility for the success of International Contracting. [illegible] Euro Conferences. Contact Jeremy Hall Tel: 0273 [illegible] 293, Fax: 0273 483396
PARIS

DECEMBER 2-3
Environment Protection Conference - Strategic and Competitive Implications for the Chemical Industry
Senior executives from Europe and the USA analyse the challenges and opportunities in developing constructive solutions to current [illegible] problems. Organisers, Chemical Insight, European Chemical News, Booz Allen & Hamilton & IIR.
Contact: [illegible] Scientific & Technical Division, Customer Services on 071-587 1117.
BRUSSELS

EXHIBITIONS

OCTOBER 1-3
EUROPEAN BUSINESS AIR SHOW
Europe's first exhibition devoted to business aviation. Discuss the benefits of corporate aircraft with the major manufacturers, dealers and charter operators. View the latest aircraft models. Also, on October 3rd - Europe's first business aircraft auction. [illegible] 0279 758885, [illegible] 0279 [illegible]
LONDON-STANSTED AIRPORT

To advertise in this section please call Dominic Morgan on 071 407 5752

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WORLD STOCK MARKETS

AUSTRIA

1991 High	Low	September 27	Price Sch
3,710	2,210	Austrian Airlines	2,790
703	488	Creditanstalt	520
4,368	2,838	EA General	3,130
902	583	EVN	859
11,521	6,656	Jungbunzlauer	10,040
1,440	937	Laenderbank	1,030
1,039	799	OeMV	999
1,920	1,129	Perlmooser Zement	1,735
966	550	Radex Heraklith	755
2,300	1,480	Reininghaus Brau	1,779
449	276	Steyr Daimler	349
869	441	Veitscher Magnesit	476
564	445	Verbund (Br) A	518
6,135	4,268	Wienerberger	5,565

BELGIUM/LUXEMBOURG

1991 High	Low	September 27	Price Frs.
3,020	1,950	ACEC-Union Min	1,985
4,720	2,750	Arbed	4,430
3,210	2,280	BBL	2,700
12,900	[illegible]	[illegible] Lux	10,600
12,900	[illegible]	[illegible] Pts	12,200
1,505	[illegible]	[illegible]	930
9,950	6,53[illegible]	[illegible]	9,620
[illegible]	5,2[illegible]	[illegible] ment	7,800
[illegible]	4,53[illegible]	[illegible]	4,930
[illegible]	4,60[illegible]	[illegible] AFV 1	4,870
[illegible]	133	[illegible] Priv	163
[illegible]	2,480	Colruyt	3,700
[illegible]	5,550	Delhaize Frs Lim	7,730
[illegible]	4,165	Electrabel	4,510
4,910	4,080	Electrabel AFV	4,375
3,141	2,482	Electrafina ACT	2,545
234	71	Fabrique Nat	105
3,950	2,910	GBL	3,040
3,860	2,900	GBL AFV 1	3,045
1,446	982	GIB Group	1,218
1,370	960	GIB Group AFV	1,166
900	500	Gechem	510
820	490	Gechem AFV	490
5,740	4,005	Generale Banque	5,320
5,640	4,270	[illegible]	5,300
8,000	6,000	[illegible]	6,560

FRANCE (continued)

1991 High	Low	September 27	Price Frs.
592	419	Bazar Hotel Ville	470
2,778	2,120	Bongrain	2,305
642	412	Bouygues	608
1,201	765	CGIP	1,070
159.90	92.10	CM B Paribas	149.50
1,130	785	Canal+	1,037
404	277	Cap Gemini S	306xr
2,129	1,553	Carrefour	2,099
157.90	117.10	Casino	151.50
645	325	Cetelem	595
920	637	Chargeurs	915
530	383	Club Mediterranee	468
400	301	Coqifi	335
590	560	Cocarex	590
186.90	133	CCF	173.80
1,294	801	Cr Fonc France	1,100
689	448	Cred Lyon (CI)	503
1,289	920	Credit National	1,182
2,310	1,649	Damart	2,149
416	335	Docks de France	365
433	245	Dollfus Mieg Cie	335
906	680	EBF	730
2,725	2,050	Eaux Cie Genl	2,485
423	258	Ecco	398
402.50	248	Elf-Aquitaine	405
274	191	Elf-Aquitaine Certs	269
429	285	Essilor Int	329
2,240	1,310	Etex	1,665
1,829	1,270	Eurafrance	1,530
929	575	Eurocom	790
141.50	90	Euro Disney	135.10
1,520	1,024	Exor	1,245
160	113.20	Finextel	133
880	580	Fonc Lyonnaise	597
2,480	1,641	Prom C et Aux	2,400
468	287.50	GTM-Entrepose	419.80
1,850	1,350	Gal Lafayette	1,675
987	669	Gaumont (Soc N)	689
816	592	Gen Occidentale	792
863	455	Geophysique	780
241	141.30	Hachette	185
574	361.10	Havas	498.20
351	200	Imetal	284
1,323	970	Imm de France	970
820	582	Immobanque	691

NEW YORK

	Sep 20	Sep 13	Sep 6	year ago (approx.)
Dow Industrial Div Yield	3.04	3.07	3.04	4.03

	Sep 25	Sep 18	Sep 11	year ago (approx.)
S & P Industrial div. yield	2.73	2.73	2.74	3.49
S & P [illegible] P/E ratio	21.14	21.15	21.01	14.59

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Comm Psyc	5,183,800	17¼	- 6½
Saatchi	3,998,200	⅞	+ ⅛
USX	2,717,200	31½	- ⅛
Bristol My	2,695,800	81⅝	- 1
Global Mar	2,490,500	3⅝	+ ⅛
Nat Medical	2,043,900	21⅝	- 1⅛
AT & T	1,895,100	37⅛	- ⅛
Pepsico	1,840,800	28⅛	---
Adv Micro	1,644,400	9½	- 1
GTE	1,614,600	30½	---

TRADING ACTIVITY

† Volume (Millions)	Sep 27	Sep 26	Sep 25
New York SE	160.430	[illegible]	153.800
Amex	17.263	[illegible]	14.421
NASDAQ	168.295	173.238	178.119
NYSE			
Issues Traded	2,086	[illegible]	2,093
Rises	769	[illegible]	721
Falls	762	[illegible]	811
Unchanged	555	[illegible]	561
New Highs	128	[illegible]	95
New Lows	12	[illegible]	17

CANADA TORONTO

	Sep 27	Sep 26	Sep 25	Sep 24	1991 HIGH	1991 LOW
Metals & Minerals	[illegible]	2867.53	2878.43	2893.58	3299.99 (18/7)	2632.06 (9/1)
Composite	3381.80	3385.14	3390.08	3398.10	3502.07 [illegible]	3161.95 (15/1)
MONTREAL Portfolio	[illegible]	1805.37	1812.74	1815.84	[illegible]	1606.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 27 September [illegible]

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Unitika	11.2	582	+19	NKK	8.4	414	+1
Sankyu	8.8	780	+9	Dainippon Ink	8.1	675	-6
Hitachi Zosen	8.6	722	-6	Meiji Seika	7.7	1,310	0
Topy Ind	8.1	655	+18	Nippon Steel	7.4	438	+8
Kumagai Gumi	8.0	865	-60	Olympus Optical	6.4	1,610	+30

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute [illegible] all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

Bishopsgate Progressive Mgmt Co (1200)F

Commercial Union Tst Mngrs—Contd.

GA Unit Trust Mngrs Ltd (1000)H

Kleinwort Benson Unit Trusts [illegible]

Marks & Spencer Unit Trust Ltd (1200)F

Murray Johnstone UT Mgmt (1000)H

Rothschild Fund Management—Contd.

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings:071-256 5858

Growth Units	5¼	136.7	137.3[illegible]	[illegible]	[illegible]	40905
Gilt & Fxd Int	5	150.9	150.9[illegible]	[illegible]	[illegible]	40904
Intl Growth	5¼	148.2	148.2	[illegible]	[illegible]	40908
North American ♥	5¼	98.16	98.70	[illegible]	[illegible]	40910
Far East	5¼	117.7	117.7	[illegible]	[illegible]	40911
UK Smaller Cos	5¼	108.9	108.9	[illegible]	[illegible]	40909
European	5¼	53.04	53.04	[illegible]	[illegible]	40912
Japanese Growth	5¼	37.88	37.88	[illegible]	[illegible]	47786
Managed P'folio	5¼	49.98	50.26	[illegible]	[illegible]	47787
High Income	5¼	150.8	152.6	[illegible]	[illegible]	40906
High Yielding Gilt	5¼	61.64	61.64	64.87	9.61	40907
Cash		51.98	51.98	51.98	9.01	46061

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro [illegible]

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS. The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

&& Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Cash	1	51.19	51.19	51.70	10.6	[illegible]
Cntrld Prtfonce	5½	48.61	48.87xd	52.13	9.33	40075
Ethical	5½	50.18	51.15xd	54.42	4.61	[illegible]
European Growth	5½	46.88	46.88	50.00	3.5	–
Income	5½	49.00	49.46	52.76	7.33	41394
Intl Growth	5½	64.11	64.60	68.91	3.30	41395
Managed	5½	58.95	59.43	63.61	4.37	41396
UK Growth	5½	52.24	52.83xd	56.35	5.37	41397

Standard Chartered Equitor (1200)F
69 Old Broad Street, EC2M 1QS 071-280 6521

Mngd Exempt Acc	3	197.5	199.7	208.0	2.96	41499
Do Income	3	188.5	190.6	198.5	2.96	41321

Standard Life Tst Mgmt Ltd (0629)H
3 George St, Edinburgh EH2 2XZ 0800 393777

Managed Acc	5¼	36.40	36.40	38.68	2.28	41398
UK Equity Gth Acc	5¼	48.39	49.27	52.35	1.96	41399
UK Eq High Inc Inc	5¼	35.34	36.10	38.36	5.01	41400
UK Eq High Inc Acc	5¼	38.68	39.52	41.99	5.01	40962
UK Equity Gen Acc	5¼	47.13	47.87	50.87	2.96	41481
UK Equity Gen Inc	5¼	37.47	38.07	40.45	2.96	41482
UK Larger Cos Acc F	7¼	307.3	311.2	337.7	4.35	41403
UK Larger Cos Inc F	7¼	252.9	256.2	278.0	4.35	41404
Gilt & Fxd Int Inc	5¼	28.15	28.22	29.85	7.67	41405
P'sns Larg Cos Acc F	7½	213.4	217.6	236.2	2.15	41406
Nth American Acc	5¼	34.45	34.67	36.84	0.75	41407
Far East Acc	5¼	41.12	42.18	44.82	0.24	41408
European Acc	5¼	33.68	35.40	37.62	1.76	41409

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

American ♥	5	[illegible]	[illegible]	[illegible]	[illegible]	41430
(Accum Units) ♥	5	[illegible]	[illegible]	[illegible]	[illegible]	41431
British	5	[illegible]	[illegible]	[illegible]	[illegible]	41416
(Accum Units)	5	[illegible]	[illegible]	[illegible]	[illegible]	41417
European	5	330.5	[illegible]	[illegible]	[illegible]	41418
(Accum Units)	5	354.2	[illegible]	[illegible]	[illegible]	41419
Japan	5	117.1	[illegible]	[illegible]	[illegible]	41420
(Accum Units)	5	118.0	[illegible]	[illegible]	[illegible]	41421
New Pacific	5	166.0	[illegible]	[illegible]	[illegible]	[illegible]
(Accum Units)	5	170.4	[illegible]	[illegible]	[illegible]	[illegible]
PEP Sept 25	5	143.3	[illegible]	[illegible]	[illegible]	[illegible]
Mngd Equity	5	122.6	[illegible]	[illegible]	[illegible]	[illegible]
Mngd Equity Acc	5	130.0	[illegible]	[illegible]	[illegible]	40556
Mngd Cash	5	97.22	[illegible]	[illegible]	[illegible]	[illegible]
(Accum Units)	5	113.2	[illegible]	[illegible]	[illegible]	[illegible]
Mngd Fixd Int Acc Aug 28	5	122.8	[illegible]	[illegible]	[illegible]	[illegible]
Majority Stkg	1	101.24	[illegible]	[illegible]	[illegible]	[illegible]
Majority Stkg Acc	1	106.20	[illegible]	[illegible]	[illegible]	[illegible]

Storebrand Intl Inv Mngrs Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex.
Enquiries: 0277 227300 Dealing: 0277 261010

International Sept 13	0	50.91	50.91	51.46	3.46	[illegible]

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Sun Alliance House, Horsham 0403 56293

Equity	6	615.9	623.3	666.6	3.06	41423
North America	6	77.77	77.77	83.18	1.06	41424
Far East	6	89.88	90.86	97.18	1.54	41425
W'wide Bond	6	48.03	48.03	51.10	6.24	41426
European	6	66.41	66.41	72.03	1.23	41429
Equity Income	6	71.80	71.80	76.79	5.26	41430
Portfolio	6	58.35	58.35	62.41	2.03	41431

Sun Life of Canada Unit Mgrs Ltd (1000)H

*Funds in Court**

	Bid Price	Offer Price	Yield Gross	City-line
Capital Sep 19	509.13	512.89	2.39	40505
Gross Sep 19	188.71	190.23	10.25	40506
High Yield Sep 19	298.04	300.44xd	7.32	40507

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

Pensions Mngd	54.24	55.35	3.64	40676

INVESCO MIM Management Ltd
Exempt Funds

Intl Mngd P'Folio	1203	[illegible]	–	46964
Mngd Pens (Acc)	71.4	[illegible]	–	41007

Lazard Brothers & Co. Ltd

Property Sept 5	C2440.0	2680.0	6.00	40777
Inc Gth Prp Apr 16	[illegible]	1,460.0	[illegible]	40778

Lazard Investors [illegible] #
Exempt Funds

Small Co's Sept 26	C3873.1	4048.9	4.02	40766
European Sept 26	C543.4	548.8	2.07	40776
American Sept 26	C354.4	358.1	2.27	40773
Japan Sept 26	C517.1	523.5	1.24	40774
Pacific Sept 26	C137.0	140.5	1.97	40775
W Midlands Aug 30	C144.50	161.30	2.48	40771

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

Property Aug 31	199.20	203.20	7.39	40825
Equity Aug 31	915.40	928.20	3.82	40826

* Available only to Local Authorities

M & G Securities Ltd

Charibond Sept 26	103.94		[illegible]	[illegible]
(Accum Units)	597.25		[illegible]	[illegible]
NAACIF Sept 24	43.30		[illegible]	[illegible]

Morgan Grenfell Unit Trust Managers Ltd
Exempt Funds

UK Equity † Sept 24	128.8	138.0	3.71	46925
UK Small Co † Sept 24	538.9	587.8	3.42	46926
Fixed Interest † Sept 24	111.2	117.0	8.53	46920
US Small Co Sept 24	165.9	177.4	0.00	46927
Managed Sept 24	108.6	116.1	3.39	46924
Intl Bond Sept 24	119.4	126.0	10.19	47790
Japan Sept 24	73.38	78.39	0.37	47877
European Sept 24	88.15	94.35	1.96	47876
Nth American Sept 24	108.3	116.4	1.36	47878

Murray Johnstone UT Mngmt
Murray Exempt Funds

Amer Expt Sept 25	52.31	54.40	2.10	41064
Euro Exot Sept 25	52.02	54.61	2.03	41065
Fixed Int Ex Sept 25	47.45	48.63	9.92	46594
Japan Expt Sept 25	46.66	48.52	0.66	41066
Managed Ex Sept 26	46.99	48.88	4.11	41067
SE Asia Expt Sept 25	70.71	74.24xd	3.23	41068
Sm Cos Exot Sept 25	36.63	38.47	3.56	41069
UK Eqty Ex Sept 25	44.37	46.59xd	3.75	41070

Phillips & Drew Fund Management Ltd

Small Co's Sept 4	704.9	749.0	[illegible]	41138
Do Accum	806.4	856.8	[illegible]	41139
Int Expt Sept 26	181.1	184.10	[illegible]	41140
UK Index Sept 4	1240.0	[illegible]	[illegible]	46945
Do Accum	1347.0	[illegible]	[illegible]	46946
Convertible Sept 20	97.69	[illegible]	[illegible]	46938

Allied Dunbar Assurance Plc

Century Life Plc

Eagle Star Life Assurance Co Ltd

Guardian Royal Exchange

Legal & General – Contd.

Manulife Group – Contd.

INSURANCES

OTHER UK UNIT TRUSTS

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	Yield Gross	City-line
Life Managed Fd	108.8	114.6	–	41924
Pension Managed Fd	108.3	114.0	–	41926
Life Deposit Fd	109.6	115.4	–	41923
Pension Deposit Fd	115.8	121.9	–	41925

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	Yield Gross	City-line
Harvester Pension Funds				
Managed	167.5	176.4	–	43141
UK Equity	179.6	[illegible]	–	43135
Overseas Equity	132.2	[illegible]	–	43136
Fixed Interest	152.0	[illegible]	–	43137
Property	136.4	[illegible]	–	43138
Index Linked	150.8	[illegible]	–	43139
Deposit	161.6	[illegible]	–	43140
With Profits (B)	132.3	[illegible]	–	44128

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	Yield Gross	City-line
Managed	360.1	379.1	–	43163
UK Equity	457.9	482.0	–	43164
Overseas Eq	347.1	365.4	–	43165
American	288.3	303.5	–	43166
Far East	372.8	392.5	–	43167
Property	194.6	204.9	–	43168
Fixed Int	269.0	283.2	–	43169
Indexed Gilt	160.5	169.0	–	43170
Deposit	185.8	195.6	–	43171
With Profit	103.3	108.7	–	44771
Pension Fund (Accum Units)				
Managed	516.9	[illegible]	–	43173
UK Equity	617.4	[illegible]	–	43175
Overseas Eq	580.3	[illegible]	–	43177
American	385.6	[illegible]	–	43179
Far East	609.7	[illegible]	–	43181
Property	247.5	[illegible]	–	43183

Providence Capital Life Asse. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	Yield Gross	City-line
UK Equity Acc	232.9	245.7	–	43411
UK Fixed Int Acc	185.3	195.5	–	43412
Intl Equities Acc	172.3	181.8	–	43413
UK Managed Acc	177.2	186.9	–	43414
Property Acc	226.5	239.0	–	43415
Money Acc	131.7	139.0	–	43416
Special Market Acc	148.4	156.6	–	43417
Japan Equity Acc	102.6	108.3	–	46760
North American Acc	104.3	110.1	–	43419
Pacific Acc	92.9	98.1	–	43420
Technology Acc	124.3	131.2	–	43421
Nat Resources Acc	52.8	55.8	–	43422
European Acc	101.6	107.2	–	43424
Residential Prop Acc	96.4	101.7	–	43425
Swiss Equities Acc	33.4	35.3	–	43426
Hong Kong Acc	66.8	70.5	–	43427
UK High Inc Eq Acc	76.5	80.7	–	43428
Int Fixed Interest Acc	59.7	63.0	–	46406
Int Managed Acc	56.2	59.2	–	[illegible]
HIP Managed Acc	118.3	124.7	–	[illegible]
HIP Managed II Acc	103.1	108.7	–	41928
HIP Managed III Acc	109.9	115.9	–	45881
Total Investment Bond				
UK Equity Initial		158.1	–	43429
UK Fixed Int Initial		126.0	–	43430
Intl Equities Initial		116.3	–	43431
UK Managed Initial		120.6	–	43432
Property Initial		155.1	–	43433
Money Initial		90.0	–	43434
Special Market Initial		115.1	–	43435
Japan Equity Initial		79.6	–	46762
North American Initial		80.9	–	43437
Pacific Initial		72.1	–	43438
Technology Initial		96.4	–	43439
Nat Resources Initial		41.0	–	43440
European Initial		91.0	–	43442
Residential Prop Init		92.0	–	43443
Swiss Equities Initial		37.9	–	43444
Hong Kong Initial		63.8	–	43445
UK High Inc Eq Init		72.9	–	43446
Int Fixed Interest Init		57.7	–	46408
Int Managed Init		54.4	–	[illegible]
HIP Managed Init		114.8	–	[illegible]

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

GUERNSEY (REGULATED)

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	Bid Price	Offer Price	Yield Gross	City-line
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$16.42	17.25	1.05	44759
Japan Tech	$62.77	65.91	-	44762
Japan Fund	$26.08	27.39	0.17	44763
Japan New Gen Fd	$20.63	21.67	-	44764
Malay Sing	$50.86	53.41	0.31	44765
Nth American	$21.93	23.03	0.58	47418
Octopus Fund	$21.16	22.22	0.88	44766
Pacific Fd	$62.19	65.30	-	44767
International Bond	$17.29	18.16	6.89	44769
Europa Fund	$13.67	14.36	-	47192
British Screen Fd	£0.95	1.00	-	47190
Trister Warrant	$10.25	10.77	-	47419
Hong Kong	$49.05	51.51	3.09	44761
Mngd Portfolio (Stlg)	£4.24	4.56	-	47319
Mngd Portfolio (Dllr)	$10.37	10.95	-	47318
Currency Fd-Sterling	£19.44		-	44755
Currency Fd-US Dollar	$15.32		-	44754
Curr Fd-Deutschemark	DM40.42		-	44756
Curr Fd-Managed $	$44.63	46.86	-	44758
Federated International Funds Plc				
Federated Short-term US Gov't Securities Fund				
Institutional Serv Series*	$1.00		5.46	40562
Investment Series*	$1.00		5.46	40563

* Annualised Yield

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
Intl Currut Portfolio	6	1.0038	1.0018	1.0622	1.65	41027
Gilt	3	0.9946	0.9946	0.9844	10.16	45444

For MIM see [illegible] MIM

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 76077						
Govt Secs Fd	4	56.44	56.44xd	58 [illegible]	9.50	45734
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 73494						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	103.84	103.84	106.96	10.30	45837
Gilt & Fixed Interest	3	106.26	106.26	110.49	8.73	43466
Blue Chip & Gilt Edged	5	51.69	51.69	55.00	3.64	45836
International Bond	5	110.67	110.67	116.22	6.89	43472
UK Equity	5	133.02	133.02	144.87	0.95	43572
International Equity	5	117.42	117.42	125.74	0.00	43569
Far Eastern	5	90.15	90.15	96.66	0.00	43461
European	5	88.47	88.47	93.73	0.00	43450
Pan American	5	146.93	146.93	156.68	0.00	43570
TSB Gilt Fund Ltd						
Quarterly Share	3	99.78	99.78	103.11	9.99	45233
Monthly Share	3	97.70	97.70	100.94	10.20	45304

ISLE OF MAN (SIB RECOGNISED)

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Allied Dunbar Intl Fund Mgrs (1600)F						
Lord Street, Douglas, IoM 0624 661551						
ADI Managed(x)	5	0.598	0.5981	0.622	1.32	44675
ADI Mngd Currency(x)	5	0.3883	0.3883	0.4094	5.59	44676
ADI W'wide Eq(x)	5	0.646	0.646	0.6879	1.12	44677

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-line
Barclays Intl Funds				
Currency Funds				
Sterling	£21.09			
US Dollar	$31.28			
Deutschemark	DM54.76			

	Bid Price	Offer Price	Yield Gross	City-line
Warburg Asset Management Jersey Ltd				
Ch Island & Int.	£1.44			
Energy Int.	$117.50			
Mercury Bond Sept 25	£28.49			
Metals Trust Sep 19	£14.50			
Merc Money Mkt Stlg	£40.44			
Mercury International Inv Tst Ltd				
Conti Europe Fd	£64.13			
Nth America Fd	£43.20			
Japan Fd	£44.31			
Pacific Fd	£49.01			
Reserve Fd	£50.24			
Wardley Fund Managers (Jersey) Ltd				
Wardley Funds Limited				
Managed Currency Fd	516.6048			
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc Fd †	$240.21			
Excelle Global Eqty $ *	$53.79			
Excelle Global Eqy DM*	DM19.91			
Excelle Global Fxd Inc DM*	DM23.19			

Valued weekly * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

Abbey Global Investment Fund (a)

41 Ave de la Gare, L-1611, Luxembourg

Henderson Management SA

Wardley Investment Services -Contd.

LUXEMBOURG (REGULATED)(**)

Target International Ltd

Templeton Worldwide Investments

GT Management Plc - Contd.

Financial Mngt Intl Ltd

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

US dollar steadies awaiting jobs data

THE strength of the US economy's recovery from recession continues to dominate the dollar's movements. This week will be no exception as currency dealers wait for the September employment report on Friday.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

The indicators last week provided mixed signals on the economy and the dollar remained locked in a narrow trading range.

US administration officials remained upbeat, anticipating a strong rebound in the current quarter. However, the market is not convinced and there is a growing belief that there will be no rapid [redacted].

This view is likely [redacted] *be* supported by the September employment report, [redacted] released on Friday. [redacted] payroll employment is [redacted] to rise [redacted] just 10,000, compared with the 34,000 increase in August.

Anoth[redacted] jobs report showing little employment growth will be bound to [redacted] to [redacted] in [redacted] market for a reduction in US interest [redacted]

The Federal Reserve [redacted] be willing to relax monetary policy if the recovery is showing signs of faltering. But it is [redacted] clear whether this will cause the dollar to slide. Longer-term institutional investors have begun [redacted] pick up [redacted] and seem likely [redacted] do [redacted] if the dollar [redacted]ns.

There are also technical reasons for believing [redacted] dollar will not give up all of the gains [redacted] made [redacted] far this year. Some [redacted] analysts [redacted] the dollar could soon [redacted] higher.

[redacted] the [redacted] unable [redacted] *mind on* [redacted] *dollar* [redacted] US currency may just remain [redacted] where it [redacted] despite the jobs figures.

£ IN NEW YORK

Sep.27	Close	Previous Close
£ Spot	[redacted]	[redacted]
1 month	0.74-0.73pm	0.76-0.73pm
3 months	1.99-1.97pm	2.01-1.98pm
12 months	6.80-6.72pm	6.70-6.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.27	Previous
8.30 am	90.9	91.0
9.00 am	90.9	91.1
10.00 am	90.9	91.1
11.00 am	90.9	91.0
Noon	90.9	91.0
1.00 pm	90.9	91.0
2.00 pm	90.9	91.0
3.00 pm	90.9	91.0
4.00 pm	91.0	90.9

CURRENCY MOVEMENTS

Sep 27	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.0	-20.6
U.S Dollar	64.8	-14.2
Canadian Dollar	106.2	+3.6
Austrian Schilling	109.2	+11.6
Belgian Franc	110.7	-2.4
Danish Krone	108.5	+3.1
D-Mark	117.5	+24.1
Swiss Franc	109.9	+18.6
Dutch Guilder	113.5	+15.6
French Franc	102.3	-13.5
Lira	98.7	-19.9
Yen	139.9	+71.6

Morgan Guaranty changes: [redacted] 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Sep.26

OTHER CURRENCIES

Sep 27	£	$
Argentina	17112.1 - 17129.4	9900.00 - 9910.00
Australia	2.1735 - 2.1755	1.2575 - 1.2585
Brazil	784.110 - 785.540	453.900 - 454.200
Finland	7.0975 - 7.1105	4.1080 - 4.1110
Greece	321.650 - 326.800	185.820 - 188.790
Hong Kong	13.3885 - 13.4020	7.7470 - 7.7490
Iran	115.80*	68.50*
Korea(Sth)	1270.80 - 1291.30	737.60 - 746.40
Kuwait	0.50000 - 0.50100	0.28885 - 0.28900
Luxembourg	60.10 - 60.20	34.60 - 34.70
Malaysia	4.7490 - 4.7570	2.7490 - 2.7510

CURRENCY RATES

Sep 27	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.784272	0.702088
U S Dollar	5.50	1.36032	1.21461
Canadian $	8.78	1.54410	1.37858
Austrian Sch	7.50	16.1103	14.4114
Belgian Franc	8.00	47.2643	42.2047
Danish Krone	9.50	N/A	7.90349
D-Mark	7.50	2.28711	2.04784
Dutch Guilder	8.00	2.57781	2.30837
French Franc	10¼	7.80416	6.97612
Italian Lira	11½	1711.77	1531.02
Japanese Yen	5.50	181.371	162.515
Norway Krone	8	8.97563	8.01037

POUND SPOT - FORWARD AGAINST THE POUND

Sep 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7270 - [redacted]	1.7370 - [redacted]	0.75-0.73cpm	5.11	1.96-1.93pm	4.48
Canada	1.9620 - 1.9700	1.9680 - [redacted]	0.39-0.30cpm	2.10	0.94-0.78pm	1.75
Netherlands	3.2790 - 3.2900	3.2800 - [redacted]	½-¼cpm	1.37	⅞-⅝pm	0.41
Belgium	59.85 - 60.20	[redacted]	9-5cpm	1.40	18-12pm	1.00
Denmark	11.2085 - 11.2805	11.2625 - 11.2725	1⅛-¼orepm	0.73	1⅝-½pm	0.35
Ireland	1.0880 - [redacted]	[redacted]	0.05-parcpm	0.27	0.13-0.03pm	0.29
Germany	2.9080 - [redacted]	[redacted]	½-¼pfpm	1.29	⅞-⅝pm	[redacted]
Portugal	250.80 - 252.50	251.50 - [redacted]	20-73cdis	-2.21	149-220dis	-2.92
Spain	183.80 - 184.90	184.10 - 184.40	23-34cdis	-1.86	18-97dis	-1.25
Italy	2175.95 - 2181.20	2178.25 - 2179.25	1-2liredis	-0.83	5-7dis	-1.10
Norway	11.3730 - 11.4375	11.4275 - 11.4375	⅛-½oredis	-0.33	¾-1½dis	-0.39
France	9.9100 - 9.[redacted]	9.9200 - 9.9300	1⅛-⅞cpm	1.21	2¼-1⅝pm	0.76
Sweden	10.5995 - 10.6580	10.6400 - 10.6500	½-⅛orepm	0.35	¼-1dis	[redacted]
Japan	231.25 - 232.25	231.25 - 232.25	¾-⅝ypm	3.56	2¼-2pm	[redacted]
Austria	20.47 - 20.54	20.49 - 20.52	2⅝-1⅝gropm	1.24	5½-2½pm	[redacted]
Switzerland	2.5300 - 2.5420	2.5300 - 2.5400	⅝-½cpm	2.66	1⅝-1¼pm	0.78
Ecu	1.4205 - 1.4270	1.4235 - 1.4245	0.11-0.05cpm	0.67	0.09-0.02pm	0.15

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.69-3.64cpm 12 [redacted] 6.78-6.68cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7270 - [redacted]	1.7370 - 1.7380	0.75-0.73cpm	5.11	1.96-1.93pm	[redacted]
Ireland†	1.5830 - [redacted]	1.5910 - 1.5920	0.62-0.57cpm	4.49	1.75-1.65pm	4.27
Canada	[redacted] - 1.1360	1.1340 - [redacted]	0.27-0.30cdis	-3.01	0.75-0.82dis	-2.77
Netherlands	1.[redacted] - 1.9020	1.8900 - 1.8910	0.60-0.63cdis	-3.9	1.77-1.82dis	-3.8
Belgium	[redacted]	34.60 - [redacted]	11.00-13.00cdis	-4.16	30.00-35.00dis	-3.75
Denmark	6.4825 - 6.5155	6.4825 - 6.[redacted]	2.22-2.52oredis	-4.39	6.50-7.20dis	-4.23
Germany	[redacted] - 1.[redacted]	1.6765 - 1.6775	0.53-0.54pfdis	-3.83	1.61-1.64dis	-3.88
Portugal	145.20 - [redacted]80	145.20 - 14[redacted]	105-115cdis	-9.09	298-316dis	[redacted]
Spain	106.20 - [redacted]	106.20 - 106.30	67-72cdis	-7.85	171-179dis	-6.59
Italy	[redacted]00 - [redacted]	1253.75 - 1254.25	6.60-7.10liredis	-6.56	18.00-19.00dis	-5.9
Norway	[redacted] - 6.6040	6.5775 - 6.5825	2.82-3.12oredis	-5.42	8.00-8.60dis	[redacted]
France	[redacted] - 5.7550	5.7100 - 5.7150	2.07-2.12cdis	-4.4	5.59-5.69dis	[redacted]
Sweden	6.1130 - [redacted]1630	6.1250 - 6.1300	2.40-2.65oredis	-4.94	7.05-7.60dis	[redacted]
Japan	133.40 - [redacted]	133.40 - 133.50	0.14-0.15ydis	-1.3	0.28-0.29dis	-0.85
Austria	11.[redacted] - [redacted]	11.8665 - 11.8715	4.20-4.60grodis	-4.45	11.10-12.30dis	-3.94
Switzerland	[redacted] - 1.4715	1.4590 - [redacted]	0.33-0.35cdis	-2.80	0.95-1.00dis	-2.67
Ecu	[redacted]	1.2210 - 1.2220	0.52-0.49cpm	4.96	1.37-1.31pm	[redacted]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Sep.27	£	$	[redacted]	Yen	F Fr.	S Fr.	H Fl.	Lira	[redacted]	B Fr.	ECU
£	1	1.738	2.913	[redacted]	[redacted]	2.535	[redacted]	2179.	[redacted]	[redacted]	1.424
$	0.575	1	[redacted]	133.4	5.711	1.459	[redacted]	[redacted]	1.133	34.61	0.819
DM	0.343	[redacted]	1	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0.489
YEN	4.314	7.498	12.57	[redacted]	[redacted]	10.94	14.17	9400	[redacted]	[redacted]	6.143
F Fr.	[redacted]	1.751	[redacted]	[redacted]	10.	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	1.435
S Fr.	0.394	[redacted]	1.149	[redacted]	[redacted]	1	[redacted]	[redacted]	0.777	23.73	0.562
H Fl.	0.304	[redacted]	[redacted]	[redacted]	[redacted]	0.772	1	[redacted]	[redacted]	[redacted]	0.433
Lira	0.459	0.798	1.337	106.4	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0.654
C $	[redacted]	[redacted]	1.479	117.7	5.041	[redacted]	[redacted]	1107	1	[redacted]	0.723
B Fr.	1.663	[redacted]	4.843	[redacted]	[redacted]	[redacted]	5.461	3623	3.273	100.	2.367
ECU	[redacted]	[redacted]	2.046	[redacted]	[redacted]	1.780	2.307	1530	[redacted]	[redacted]	1

[redacted] per 1,000: French Fr. [redacted] 10: Lira per 1,000: Belgian Fr. [redacted]

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FINANCIAL TIMES STOCK INDICES

	Sep 27	Sep 26	Sep 25	Sep 24	Sep 23	Sep 20	1991 High	1991 Low	Since Compilation High	Since Compilation Low
[redacted] Secs.	87.28	87.32	[redacted]	87.52	87.52	87.72	87.94	82.17	127.4	49.18
[redacted]	96.84	97.00	97.06	97.13	96.82	96.79	96.99	90.59	106.4	50.53
Ordinary	2018.9	2025.2	2028.9	2009.4	2016.5	2038.8	2108.3	1608.3	2108.3	49.4
[redacted] Mines	[redacted]	163.1	153.7	151.3	159.1	159.2	222.8	127.0	734.7	43.5
FT [redacted]	1257.47	1257.16	1257.74	[redacted]	1250.66	1258.72	1284.07	987.46	1284.07	61.92
FT-SE 100	2599.0	2595.6	2597.8	[redacted]	2579.5	2600.3	2679.6	2054.8	2679.6	986.9
[redacted] Eurotrack [redacted]	1104.16	1103.42	1106.34	[redacted]	1111.18	1114.61	1165.54	900.45	1165.54	900.45
FT-SE Eurotrack 200	1169.39	1169.39	1171.06	1168.66	1169.96	1174.90	1198.60	938.62	1198.60	938.62

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

Continued on next page

BASE LENDING RATES

LONDON SHARE SERVICE

AMERICANS

Market Cap. £m	Stock	Price £	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
1,129.5	Abbott Laboratories	31½	0.8	1.9	10.7	FeMyAuNv	1503
131.5	Allegheny & W 1c	253p	-5.2	7.0	-	-	-
856.4	Amdahl 5c	773p	-4.0	0.8	31.1	MrMrJeAu	-
3,587.4	Amer. Cyanamid $5	38¼	1.7	2.3	27.2	MrJeSeDe	-
7,819.5	Amer. Express 60c	14½	-1.8	4.0	1.7	FeMyAuNv	1594
24,142.5	American T. & T. $1	21½	-0.6	3.6	27.3	FeMyAuNv	1597
15,489.5	Ameritech $1	35¾	-2.1	5.7	28.3	FeMyAuNv	-
5,095.3	BankAmerica $1.2	23¾	2.7	3.0	16.8	FeMySeDe	1744
2,797.7	Bankers N.Y. $1	34¼	1.7	8.4	27.9	ApJyOcJa	1745
10,229.0	Bell Atlantic $1	26	-7.6	5.7	4.7	FeMyAuNv	-
14,086.6	BellSouth Corp.	28¾	-0.2	5.6	5.4	FeMyAuNv	-
736.9	Bethlehem Steel $8	9½	-3.0	2.4	6.2	MrJeSeDe	1621
499.9	Bowater Inc.	1394p	-1.9	5.1	6.6	OcJaApJy	1825
3,873.9	CPC Intnl. 25c	51¼	1.6	2.3	25.9	JaApJyOc	2265
156.4	California Engy	859p	4.1	-	-	-	-
5,643.8	Campbell Soup 15c	44¼	0.9	1.5	4.1	OcJaApJy	2050
1,430.4	Chase Manhattan $12½	10½	-2.9	6.8	29.7	FeMyAuNv	2135
1,332.3	Chrysler $6¼	5½	-5.9	6.0	11.9	ApJyOcDe	2135
2,791.0	Citicorp $1	8¼	-4.4	7.3	23.10	MyAuNvFe	2141
3,281.7	Colgate-Palmolive $1	24¼	4.5	2.5	22.7	FeMyAuNv	2195
663.9	Cont'l Bank Corp $4	657p	4.1	5.4	31.5	DeMrJeSe	-
729.5	Dana Corp. $1	17¼	-1.4	5.3	27.8	MrJeSeDe	2306
346.9	Data General	1257p	7.0	-	-	-	-
851.8	Dial Crop. $1.5	21¼	3.9	3.8	28.5	JaApJyOc	2778
4,020.2	Dun & Bradstreet $1	27	-0.9	4.7	13.2	MrJeSeDe	-
1,236.1	Exxon Corpn. 50c	34¼	0.3	-	2.2	-	2410
392.8	Echlin Inc.	7	0.9	5.9	1.7	JaApJyOc	3046
3,091.7	FPL Group 1c	19½	1.0	7.4	27.8	MrJeSeJe	-
1,855.4	Fluor Corp 62½pc	24¼		0.8	19.9	JaApJyOc	2609
8,284.5	Ford Motor $1	17½	0.5	3.4	30.7	MrJeSeDe	2615
31,708.1	Gen. Elect. 63c	39¾	-0.9	3.0	23.9	JaApJyOc	2675
-	General Host Corp $1	506p	8.6	4.0	13.12	-	-
5,111.2	Gillette $1	23¼	-2.1	1.6	24.5	MrJeSeDe	2695
969.7	Hasbro Inc 50c	17	9.7	0.8	1.8	JaApJyOc	-

[illegible]

CANADIANS

[illegible]

For Varity see Americans

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES — Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا منه الكلمل

هكذا من الأصل

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline, call 0836 43 + four digit code. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Share Code Booklet call 071-925-2128.

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC—Contd

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Australians

Tins

Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- § Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	640	......
Finlay Pkg. 5p	21	......
Holt (Jos) 25p	1995	0.9
Helton Hldgs	38	-15.6
IRG	130	......
United Drug	175	-2.8

IRISH

Cap. 8¼% Ln. 2010	£93½	0.3
9pc Cap Ln. 1996	£98¾	0.4
Fin. 13% 97/02	£114	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions: Airbreak Leisure (Section: Leisure)
Oliver Rfd. (Drapery & Stores)
Schlumberger (Oil & Gas)
Smaller Companies Warrants (Invesment Trusts)

Deletions: Abercom (South Africans)
Brunswick (Mines)
CCS (Building)
GPG (Trusts, Finance, Land)
Northwest Gold (Canadians)
Norton (Industrials)
Sonora (Canadians)

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
2¼	¾	SaatchiA&S	0.19	0.23	0	2040	⅞	d¾	⅞	+1/16
13	11	Sabine Rt	1.32	0.11	7	87	12⅛	12⅛	12⅛	
9⅞	5⅞	Safecard	0.15	0.02	7	151	8⅝	8½	8⅝	+⅛
13⅞	6⅝	Safeg'd Sc			3	8	11⅞	11⅞	11⅞	+¼
37	25	SafetyKln	0.32	0.01	27	1219	28⅞	28⅛	28½	+⅛
21⅞	11⅞	Safeway			17	5807	18¼	17⅞	18⅛	+½
4⅞	2⅞	SafewayW86				239	4	3⅞	4	+⅛
35⅞	26⅞	StJoePaper	0.20	0.01	36	177	32½	31⅞	32½	+½
34¼	26⅝	StJoeL&P x	1.68	0.06	11	36	31½	31⅛	31⅞	
4¼	1½	Salant Crp			0	2	3⅛	3⅛	3⅛	+⅛
69¼	49⅝	Sallie Mae	0.80	0.07	13	5202	60⅛	59¼	59	−½
13⅝	10⅞	Salomon Br	0.80	0.04		905	13⅜	13¼	13¼	−⅛
37	20⅞	SalomonInc	0.64	0.02	6	8590	25⅛	24½	24⅞	+¼
46⅞	37⅞	SanDgo G&E	2.80	0.07	11	409	41½	41¼	41⅞	
4⅞	2⅛	SantaFeEn z	0.40	0.13	20	47	3⅛	3	3⅛	
19⅞	10⅞	SantaFeEs z	0.16	0.01	23	420	11⅞	11⅞	11⅞	−⅛
33½	25	SantaFePac	2.65	0.08	10	64	u33⅝	33	33	+⅛
10¼	6⅛	SantaFeSth			45	51101	9⅛	9	9⅛	+⅛
45⅞	29⅞	Sara Lee	0.84	0.02	20	2286	44⅞	44¼	44⅞	+⅛
⅛	1/32	Savin Corp			0	1083	0.06	d1/16	⅛	−0.02
7⅞	1⅞	Savin 0.60	0.60	0.38		22	2⅛	2⅛	2⅛	
40½	33½	Scana Corp	2.62	0.08	8	166	40	39⅝	39⅞	
44⅞	36	Scecorp x	2.72	0.06	12	3578	u45⅞	44⅞	45⅞	+⅞
56⅝	40⅞	ScheringPl	1.32	0.02	20	2905	56⅞	54⅝	55¼	−1¼
74	50½	Sch'berger	1.20	0.02	28	4518	68	66⅞	67⅝	+½
31¼	11⅞	Schwab(C)	0.20	0.01	27	799	30⅞	30¼	30¼	−½
8⅞	3⅞	Schwitzer			13	35	6⅞	6⅝	6⅝	−¼
17⅞	11½	ScientAtln	0.16	0.01	28	377	13½	13⅛	13½	+¼
9⅝	6⅛	Scotman	0.10	0.01	10	177	7	6¾	6¾	−⅛
46⅝	35⅝	ScottPaper	0.80	0.02	38	669	38⅛	38⅞	38½	−¼
16⅞	11⅝	ScuddrNAsF	0.68	0.04		60	14⅞	14½	14½	−¼
10⅞	7¼	ScuddrNEuF	0.25	0.03		89	8⅞	8¾	8¾	−⅛
28½	19⅞	Sea Cont			10	371	21½	21	21⅛	−⅛
15½	13½	SeaC1.4625	1.46	0.10		17	15	14⅞	15	−⅛
18¾	14¼	SeaC2.1	2.10	0.14		5	15⅛	15⅛	15⅛	
117½	81⅝	Seagram Co	2.00	0.02	14	987	110½	108½	110	+1⅞
29⅞	21	Seagull En			22	22	29⅛	29	29⅛	+⅛
18⅞	12⅛	SPX Corp	0.40	0.03	37	299	13⅛	12⅞	12⅞	

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s
1½	⅞	TecorsaBoat			0	16
25⅞	18⅛	Taiwan Fd				131
8¼	4½	Talleyind	0.20	0.04	0	47
11⅛	7	Talley Pf	1.00	0.13		2
59½	35⅞	Tambrands	1.20	0.02	30	1618
18⅝	9¼	Tandem			20	2941
36½	23⅞	Tandy Corp x	0.60	0.02	10	5519
12½	10⅞	Taurus Mun	0.85	0.07		124
37¼	31½	Teco Energ	1.72	0.04	15	472
30⅞	16¼	Tektronix	0.60	0.02	15	740
1⅞	⅞	Telecom Co			8	2
24⅞	14⅞	Teledyne	0.80	0.04	30	575
34⅝	24⅝	TeleEspSA	1.41	0.04		43837
38½	24½	Telmex ADR				9393
49½	28⅛	Templeinl	0.88	0.02	13	818
19⅞	11⅞	TempltEmMk	0.16	0.01		143
9⅝	8⅛	TempltGlob x	0.84	0.09		191
8⅞	7⅞	TempltGFd x	0.84	0.10		5802
52	33½	Tennecolnc	1.60	0.04	24	4190
22	16⅝	Teppco Pts	2.20	0.10	17	88
14⅞	6⅛	Teradyne			99	185
14¼	7½	Terex	0.05	0.00	15	199
9⅛	5⅛	Tesoro Pet			20	31
70	56½	Texaco	3.20	0.05	12	2078
53	49⅞	Texaco C	4.10	0.08		2
25	14	Texas Ind	0.20	0.01	238	25
47⅞	27⅝	Texas Inst x	0.72	0.02		71500
26	19½	Texas Pac	0.40	0.02	24	11
38⅞	34⅛	Texas Util	3.00	0.08	10	3526
10¼	9⅛	Textl Pf	1.00	0.10		10
7⅞	3⅞	Textl Inds	1.10	0.24	2	435
35⅞	24⅞	Textron	1.00	0.03	10	1353
6⅛	4½	Thackeray			56	21
11⅛	8⅛	Thai Cap				128
22⅛	14⅞	Thai Fund	0.35	0.02		115
40⅞	25⅞	ThermoElec			22	369
20⅞	12⅛	Thiokol	0.36	0.02	7	642
60⅞	45	Thomas & B	2.24	0.04	20	261

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
51½	43¼	Xerox4.125				z100	50⅛	50⅞	51	+⅝
21½	14⅛	Xtra 1.94				10	u21⅞	21⅞	21⅞	+⅞
24⅞	14⅛	Xtra Corp	0.72	0.03	82	64	24⅛	24⅞	24⅞	+⅛
25½	21¼	Yankee Egy	1.60	0.06	12	30	25⅞	25¼	25⅛	−⅛
1½	⅜	Zapata			2	106	½	⅞	½	+1/16
8⅞	5½	ZenithElec			1	772	5¾	d5⅞	5½	
18½	12	Zenith Nat x	1.00	0.06	90	22	15⅞	15⅞	15⅞	
8¾	4½	Zenix Inc x	0.84	0.12		104	u6⅞	6⅛	6¾	+⅛
15⅛	10⅞	Zero Corp	0.40	0.03	17	58	14⅛	14½	14½	−⅛
41⅞	29½	Zurn Ind	0.88	0.03	13	126	33½	33⅞	33½	
13⅛	10¼	Zweig Fund	1.16	0.09		244	12½	12¼	12½	+⅛
10¼	8½	Zweig Totl	0.95	0.09		1683	u10⅞	10⅞	10⅞	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices September 27

NASDAQ NATIONAL MARKET

4:00 pm prices September 27

هكذا من الأصل

MARKET

4:00 pm prices September 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16½	9¼	AAR Corp	0.48	0.03	16	65	13⅞	13¾	13¾	
18¾	14½	A L Labs A x	0.16	0.01	19	167	17⅞	17⅝	17¾	
55¾	40⅞	AMP Inc	1.44	0.03	20	1165	52⅛	51¼	51¾	
68⅝	44¼	AMR			11	2643	58¼	57⅝	57¾	+⅛
2⅝	1	ARX			1	121	1⅜	1¼	1¼	
58	41½	ASA	3.50	0.07	13	602	47	46⅞	47	-⅛
65¼	39¼	Abbot Lab x	1.00	0.02	22	3046	64¼	63½	63¾	
14⅝	9⅞	Abitibi Pr	0.50	0.04	24	29	13⅜	13¼	13¼	
11⅝	10⅜	ACM Gvt In	1.26	0.11		711	11¼	11⅛	11¼	
9⅞	8¾	ACM GvOpp	1.01	0.11		32	9⅝	9½	9½	-⅛
9¼	8¼	ACM Gvt Sp x	1.01	0.11		445	9¼	9	9⅛	+⅛
11	9⅞	ACM Gvt Se x	1.26	0.12		1226	10⅝	10½	10⅝	
8⅞	7⅝	ACM Man	1.01	0.12		1514	8¾	8⅝	8¾	+⅛
12⅞	11½	ACM Managd	1.35	0.11		149	12⅝	12½	12¼	-⅛
7½	4¼	Acme Cleve	0.40	0.06	17	126	6⅝	6½	6⅝	+⅛
6	3⅜	Acme Elect			2	72	4⅜	4¼	4⅜	
40	22¾	Acuson			22	1002	33⅛	32¼	32½	-⅞
19⅛	14¼	Adams Expr	0.73	0.04	0	102	18⅞	18⅝	18⅝	-¼
20⅛	17⅜	Adobe12PI	2.40	0.12		27	19⅞	19⅝	19⅝	-¼
9¼	6⅜	Adobe Res			50	686	7⅞	7⅝	7⅝	-⅛
35⅜	16	Ad Micro				48	33½	33	33	-⅝
14⅛	4⅞	Ad Micro P	3.00	0.31	15	1670	10⅝	9½	9⅝	-⅞
5⅜	2¾	Advest Grp	0.16	0.04	5	55	3⅝	3⅜	3⅝	+⅛
49⅛	31⅞	Aetna Ll	2.76	0.08	6	7386	33⅝	33⅛	33⅛	-⅛
10⅝	6⅝	Affil A	0.24	0.03	45	330	8¾	8¼	8¼	
20⅞	12	Ahmanson	0.88	0.05	11	1336	18⅛	17⅞	17⅞	+⅛
14⅞	2⅞	Aileen Inc			14	451	14½	14	14	

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Continued on next page

MONDAY INTERVIEW

Reformer with work still to do

Carlos Salinas de Gortari, Mexico's president, speaks to **Stephen Fidler** and **Damian Fraser**

'Voters want change to continue in Mexico'

The Mexican president is invested with extraordinary power. In his own land, his will is law. He faces little opposition from Congress, where his party has traditionally carried an unassailable majority, or from constituent states, all but two of which are run by his party. He gets an easy ride from the local press and is never criticised on domestic television.

The current holder of that office is Mr Carlos Salinas de Gortari, who at 43 is half way through his six-year term. His position has been strengthened by the convincing victory of *his party, the Institutional* Revolutionary Party (PRI), in mid-term congressional elections last month. Though not entirely free of accusations of ballot rigging, the result partly erased the memory of the fraud-tainted 1988 poll which brought him to office. August's congressional result showed, Mr Salinas said, that voters "want change to continue".

In his first three years, Mr Salinas moved quickly to confront Mexico's economic ills, such as stagnant growth and inflation (50 per cent annually in 1988; 16 per cent today). In an interview at Los Pinos, the presidential residence in Mexico City, he confirmed his impatience for further reform.

"We are doing things which a few years ago would have been considered anathema." He has buried years of antagonism to begin talks with the US over a free trade agreement which will also include Canada. He has privatised large sectors of industry, and tackled the entrenched power of the trades unions. The government has signed a deal with foreign banks that should, given no oil price collapse, put the country's external debt problem firmly into the past. As a result, investment funds are flooding into Mexico, helping to rekindle growth after a decade of economic decline.

This may yet turn out to be the easy part. Some in his administration believe the biggest political gambles of the Salinas presidency may lay ahead.

Mr Salinas and many of his cabinet colleagues are products of the best of US education. The president himself has three Harvard postgraduate degrees. While these qualifications have been an asset in dealing with economic problems, ministers have their work cut out in countering opposition criticisms that as foreign-educated technocrats they fail to understand the lot of the average Mexican.

Those close to the president say he is a man who does not likes to lose, but he is not averse to changing his mind. Content to allow significant freedom to his ministers, he will nonetheless quickly seize upon the weaknesses of any proposed policy. He will take risks, but only after discounting the alternatives.

The son of a minister, Mr Salinas comes from a family steeped in politics. In Mexico, politics has been dominated by the PRI, which, with its earlier incarnations, has run the country since 1929.

While couching its activities in revolutionary rhetoric, the PRI has always been guided less by ideology than by its desire to hold on to power. This has involved successfully resolving the claims of the three main interest groups that have dominated Mexican society: peasants, urban workers and the professional classes.

The PRI's corporatist structure, which pervades most facets of public life, looks increasingly outdated in the modern and pluralistic society to which Mr Salinas aspires.

Mr Salinas has stated before that he intends to reform the party, and has been criticised for not moving faster. His dilemma is that it is the party which has brought him to power and has strengthened his mandate in the mid-term elections. As the British historian Hugh Thomas has remarked, Mr Salinas is like a woodcutter who has "set about cutting the branch of the tree by which he has climbed and on which he is sitting".

The president insisted that much had already been done to improve confidence in the electoral system in Mexico, but there was still more to do.

The PRI itself has, he says, undergone changes since the 1988 election. It campaigns better, picks better candidates, and has improved its internal organisation, but, again he adds, there is more to do.

The PRI, he says, must improve its "territorial organisation" – a hint that it needs to enhance its grassroots support and ease its reliance on its traditional backers – unions, farm leaders and teachers.

Mr Salinas will also seek reforms to seperate the party from the state, a distinction once regarded as irrelevant in Mexico but now seen as an essential component of a truly competitive political system.

After three years of economic reform, his commitment to yet more change is undiminished. "Our commitment is simultaneously to have political and economic change."

The president believes that a comprehensive North American Free Trade Agreement could be in place by the first part of next year. The accord is seen by the government as more than an opportunity for furthering growth; it is seen as a device that will, in effect, make Mr Salinas' economic reforms irreversible. Negotiations are now at their "most important stage".

Having signed this month a free trade agreement with Chile, the first in Latin America, Mr Salinas says he wants to conclude more, perhaps even with Japan.

Mr Salinas is also directing his reforming zeal to two new areas: education and agriculture.

The education system has provided the country with a relatively high literacy rate (more than 90 per cent of people can read). But higher education is in a mess, teachers are poorly paid, there is little vocational training and school textbooks are outdated.

In Mexico, agricultural reform is a highly charged political issue. About a quarter of the people depend directly on the land, but they produce only 8 per cent of gross national product. No previous president has dared to overhaul agriculture. Community ownership of many farms and the state's permanent commitment to redistribute land – a reaction to the perceived evils of large landowners – are, like the educational system, still an important legacy of Mexico's bloody revolution of 1910-20.

The agricultural system, says Mr Salinas, increases uncertainty and discourages investment. "We have over-extended the process of land redistribution in Mexico."

Mr Salinas has promised legislation within six months to reform agriculture. His comments suggest he favours abolishing the artificially high prices of maize, although a decision has not yet been made. In its place, income support for poor farmers was "a very clear possibility".

Would he also tackle Petroleos de Mexico (Pemex), the world's fourth largest oil company, which permeates every cranny of the production and use of oil and gas in Mexico?

Mr Salinas has committed himself to further change at Pemex. "We cannot afford to have an inefficient public sector entity like Pemex, because that will permeate into the rest of the economy."

The reforms have helped to refashion the perception of Mexico abroad, and changed Mexico's perception of itself. "The most important thing to consolidate is a change of mentality: meaning, self-confidence in opening the country to the rest of the world."

Yet he still faces many challenges. Although his anti-poverty programme, Solidarity, which will spend \$1.8bn this year, has done much to improve the lot of the poor in some areas, he agrees that more must be done. According to the World Bank, almost a fifth of Mexico's 82m people do not have enough to eat.

Mexico's record on human rights has recently been rebuked by Amnesty International and the government is finally begining to respond to such criticisms. The environment is another important issue, particularly in the capital, whose 20m inhabitants make it one of the world's most populous cities. Mr Salinas is seen by many Mexicans as likely to end the 130-year split between government and the Roman Catholic church; most Mexicans are Catholic.

The Mexican system has given Mr Salinas extraordinary scope to tackle these issues. But it has placed one important constitutional limitation on his powers, deliberately put in place to prevent the rise of a dictatorship: presidents can only serve for one term only.

Would he like to stay on? "There is a constitutional prohibition and that speaks for itself," he said. And in four years? "I will be unemployed."

PERSONAL FILE

- **1948** Born in Nuevo Leon.
- **1969** Studied economics at National Autonomous University of Mexico.
- **1972** Master's in public administration, Harvard university.
- **1978** Director general at Ministry of Finance.
- **1979** Director general at Ministry of Programming and Budget.
- **1982** Secretary of Ministry of Programming and Budget.
- **1988** Elected *president*.
- **1991** PRI wins 61 per cent of vote in mid-term congressional elections.

The shake-out in US services

MICHAEL PROWSE on America

President George Bush must have been relieved to propose deep cuts in nuclear arsenals. By making a bold foreign policy announcement he was able, once again, to divert attention from domestic problems. Last week the White House was embarrassed by poor economic figures, including the first sharp increase in poverty since 1983.

The Bush administration is puzzled that the economy is not yet showing convincing signs of recovery. The Federal Reserve has reduced interest rates sharply – to the lowest levels since the mid-1970s – and taken steps to boost bank profitability. But monetary growth has not picked up and consumer demand appears to *be fading rather than strengthening*. What is going wrong?

Part of the answer requires a trip down memory lane. Remember the 20m service sector jobs created during the Reagan years? At the time this was hailed as conclusive evidence of the US economy's dynamism and flexibility. In a post-industrial society, expansion of services was seen as the key to future prosperity. The Reagan administration demanded free international trade in services in order to capitalise on its advantage and sneered at the "sclerotic" European Community where dole queues were spiralling.

Well, it now appears that US service industries over-extended themselves: many of these jobs should never have been created. In the latest issue of the Harvard Business Review, Mr Stephen Roach, a senior economist at Morgan Stanley, the Wall Street investment house, argues that US service industries became chronically inefficient in the 1980s. "Shielded by regulation and confronted by few foreign competitors, service companies have allowed their white-collar payrolls to become bloated, their investments in information technology to outstrip the pay-backs, and their productivity to stagnate."

But with recession, the day of reckoning arrived. US service companies are now aggressively shedding labour, cutting costs and rationalising operations. This restructuring, comparable with that undertaken by US manufacturers nearly a decade ago, is being super-imposed on the normal business cycle, complicating *the interpretation of economic* trends. Although beneficial in the long run, the job cuts are undermining consumer confidence and inhibiting recovery.

Mr Paul Mastroddi, an economist at J P Morgan, the New York bank, addresses the same theme in a recent research note. During the expansion of the 1980s, he argues, service industries were able to raise prices by more than 5 per cent a year, well above the 3-4 per cent received by manufacturers. This inflation differential hid their relative inefficiency. But tighter monetary policy, following Mr Alan Greenspan's appointment as chairman of the Federal Reserve, squeezed the economy and prevented them passing on excessive costs to consumers. The inflation differential has vanished, and service producers – from retailers and wholesalers to banks and local government – are retrenching. "As a result, the economy is unlikely to grow rapidly ... despite the recent declines in interest rates."

In previous recessions, manufacturing held the key to economic prospects. This is because the service sector provided a relatively secure backdrop, generating job opportunities almost regardless of the plight of "smoke-stack" America. This time the roles are reversed. The decline in manufacturing employment was unusually mild. But the employment performance of service industries has been worse than in 1973-75 or 1981-82 even though gross national product fell much less steeply. Retailers, transportation, government, finance, insurance and real estate all shed labour; only in health care was growth uninterrupted.

It is no accident that the indicators signalling economic strength in recent months – from industrial production to the Purchasing Managers' Index – relate primarily to the manufacturing sector. Manufacturing output has grown at an annual rate of nearly 8 per cent since April, but may soon falter. The sector's resilience reflected big improvements in productivity during the 1980s and the competitive dollar, which supported exports. Neither factor applies in the case of service industries, which mostly remain depressed.

A manufacturing-led recovery that shifts resources into export industries is desirable given the big trade deficits accumulated during the 1980s. The problem is that service industries account for about three-quarters of private sector jobs. Weakness in services today is thus potentially more damaging for growth than weakness in manufacturing in the early 1980s. As Mr Mastroddi argues, a much larger proportion of the workforce is worried about job security and pay prospects than in previous downturns. Even jobs in state and local government, once wholly secure, are now under threat. The broader exposure of workers to the rigours of recession goes far to explain the poor outlook for consumer demand, an essential engine of economic recovery.

The White House is likely to press for further interest rate cuts and more resolute action to ease the "credit crunch" – the alleged inability of creditworthy companies to obtain loans. Such measures may help at the margin. But to the extent that the economy's failure to grow reflects more fundamental forces – such as a restructuring of the service sector or an overhang of debt – they may prove irrelevant. The real story of this recession is the shadow cast by the excesses of the 1980s. Only time can heal these wounds.

Major reshuffle on the bench

JUSTINIAN

The appointment of three new Law Lords to replace Lords Bridge, Brandon and Oliver has provoked much gossip in the Inns of Court, from among whose members candidates for high judicial office are exclusively drawn.

The appointments mean that no fewer than one third of the Appellate Committee of the House of Lords (the UK's supreme court) will change. Yet this has merited little attention in our national newspapers. In contrast, a single appointee to the US Supreme Court has attracted, and is still attracting in Britain alone, acres of newsprint space.

Why is it, despite the comparative lack of openness in the British system of appointing its judges, that there is so little media (and presumably therefore public) interest in judicial appointments other than when a notorious case or a miscarriage of justice thrusts the individual judge before the public eye?

The British judiciary is selected nowadays without so much of a whisper from the public. It was not always so. In the 19th century, newspaper commentators were much more forthright about appointments to the High Court bench.

When Lord Campbell in 1859 startled the legal profession by appointing a fellow Scot and a near-briefless junior counsel at the English bar by the name of Colin Blackburn, The Times leader writer expostulated: "Who is Mr Blackburn?"

The surprise turned out to be ill-founded. Which only goes to prove that whatever the method of appointment there were bound to be both irreversible mistakes and dubious appointments that turn up trumps. This is because it is difficult – perhaps not impossible in the light of modern methods of psychological testings – to predict what sort of *judge a person will make*.

If the quality of judges depends upon the method and scope of selection and the standards set by the appointing authorities, the risk of mistake is minimal in the case of a judge's promotion to an appellate court.

Mr Blackburn's demonstration of all the essential qualities of a judicial mind was such that he was made a Law Lord when the Appellate Committee was formed in 1876; his retirement 10 years later was regarded as an irreparable loss.

Is the reticence of the press today to comment on judicial appointments the product of a self-imposed strait-jacket, grounded in their fear of the laws of contempt? Although scandalising the judiciary is strictly a part of the law of contempt of court, its application is, however, largely obsolescent.

If the media were to comment on the three new Law Lords they would have much to observe, not least because, unusually, not all three appointments are to take effect at the same time; Lord Bridge does not retire until February when Lord Justice Mustill will finally take his place.

Until the second world war it was common for appointments to the bench to reflect the political complexion of the government of the day. The tradition of non-political appointments was firmly established by Lord Jowitt in 1947. It has been maintained ever since, with the exception of a few of the appointments made by Lord Kilmuir in the late 1950s.

All three new appointees have obtained golden opinions within the profession and to the outsider appear to reflect a judiciously liberal outlook to the law. None has had any outward political affiliations.

Sir Nicolas Browne-Wilkinson, for the last six years the vice-chancellor (head of the Chancery Division), has had 15 years on the bench in the course of which he has been innovative without ever incurring any suggestion of idiosyncratic law making. His period in the late 1970s as president of the Employment Appeal Tribunal was outstanding in wise promotion, through a series of prominent judgments, of the policy of equal opportunities and in assisting the eradication of sex discrimination.

Likewise, Sir Gordon Slynn also had a distinguished three years as president of the Employment Appeal Tribunal. Sir Gordon's career was soon diverted to Europe. For the past 10 years he has been at the European Court of Justice at Luxembourg first as an advocate-general (who gives the court his considered opinion on a case, much like a judgment of a single judge) and then a judge. Before his elevation to the bench in England he had been the government's main counsel, serving with equal distinction both Labour and Conservative administrations from 1968 to 1974.

Sir Gordon's progress from being a High Court judge and a judge at the European court to the House of Lords, without first going to the Court of Appeal, will provide further evidence to continental Europeans of the importance which the UK now places on its representation at Luxembourg.

Sir Gordon's replacement at Luxembourg is a matter of acute speculation. The betting is that the Lord Chancellor will favour a Scottish judge. Scotland has a more natural affinity with the legal systems of continental Europe; Sir Gordon's predecessor, the first British judge at Luxembourg, was Lord Mackenzie Stuart, a former judge of the Court of Session.

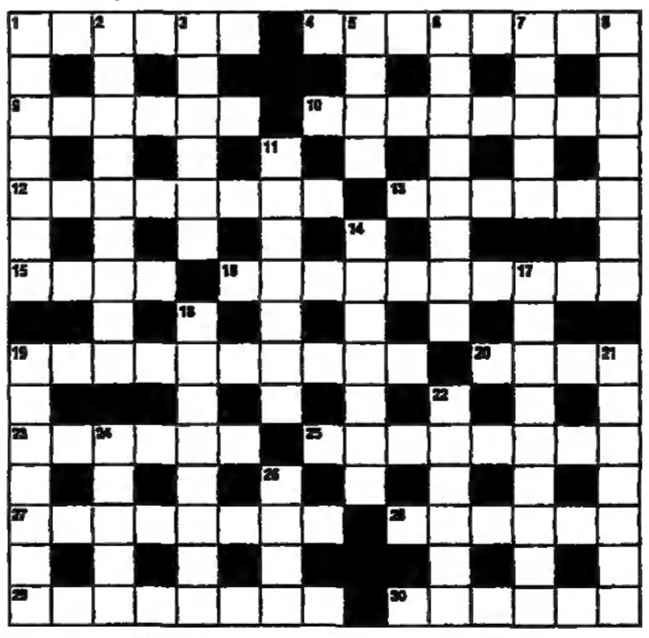
The third new Law Lord, Sir Michael Mustill, comes from the distinguished stable of commercial lawyers of the Bar. But since becoming a judge he has shown an aptitude for the more humdrum work of a trial judge and later in the Court of Appeal. Off the bench Sir Michael has shown a particular interest in the legal problems associated with mental health.

All three new Law Lords are in their early 60s, youthful by judicial standards. Constitutionally they may serve until they reach the age of 75. Whether or not they stay the whole of the course, they will undoubtedly contribute for some years to come to a rejuvenated, if not revitalised final Court of Appeal.

Louis Blom-Cooper QC

CROSSWORD

No.7,659 Set by DANTE



ACROSS

1 Second best part in a hilarious performance (6)
4 When the beach is mainly covered (4,4)
9 Open an eye? (6)
10 He has a little place in the country (8)
12 *Expedition to the French* metropolis goes around a river (8)
13 Dances arranged to scale (6)
15 Yet it's difficult for busy people to take it (4)
16 In which the reserves run out (6,4)
19 He sticks up for his employer (10)
20 Widely grown but it's not used (4)
23 Capacity to get on after bitterness? (6)
25 Under strain to return sweets (8)
27 But a tired-looking old carpet may not (4,1,3)
28 Lean spinner is first class (3-3)
29 High noise coming from the radio? (6,2)
30 Order still from a photographer? (4,2)

DOWN

1 Sort of roll made with herb and an American stuffing (7)
2 Tries to enter bona fide practice (9)
3 A timber found on a ship (6)
5 Girl puts one over teacher (4)
6 It is inclined to keep out of the way when troubles intervene (8)
7 One loses one's head when in a corner (5)
8 A noble estate (7)
11 A non-drinker, he is at heart an unbeliever (7)
14 Hidden – but not from a gunman? (7)
17 Travelled overseas to get home (9)
18 Unusually apt, due to being right in fashion (2,2,4)
19 Close-up of notability? (3,4)
21 One drunkard turns to espy another (4-3)
22 Mokes I assemble for the race (6)
24 A vital part of one's body? (5)
26 Card-game depending on luck for a change (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 12.